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Daily Report

Latin America

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FBIS-LAT-96-035 *21 February 1996*

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Inter-American Affairs: Cartagena Board on Operations

PY2002175496 Madrid EFE in Spanish 0211 GMT 17 Feb 96

[FBIS Translated Text] Lima, 16 Feb (EFE) — The Cartagena Agreement Board reported in Lima today that it has received a contribution from the Peruvian Government that will allow it to maintain a minimal operational level "to handle urgent matters."

The Board, the technical body of the Andean Group comprising Bolivia, Colombia, Ecuador, Peru and Venezuela, had reported on the morning of 16 February the suspension of its activities and the closure of its Lima headquarters "until further notice" due to lack of funds.

In a communique issued tonight, the Cartagena Agreement Board reports that the Peruvian Foreign Ministry has paid part of its contribution in arrears, but it did not specify the amount.

The Cartagena Agreement Board adds that these resources will allow it to look after matters pertaining to the Andean Group presidential "summit" scheduled to be held on 9 and 10 March in Trujillo, 570 km north of Lima.

The communique adds that these resources will also allow it to continue working on the Andean Group institutional reform and some issues that "cannot be postponed," issues dealing with European technical cooperation and the publication of the Andean System Reference Price Guide, among others.

The Andean Group note states that it hopes that with the payment of contributions in arrears that was recently offered by the governments of Bolivia, Ecuador and Peru, "the institution will be able to again conduct all of its activities."

According to Andean Group sources, Peru owes $6.2 million, Bolivia $2 million, and Ecuador $500,000.

It was added that the lack of funds due to failure to make payments on the part of three member countries did not allow the Cartagena Agreement Board to meet operational and payroll costs.

In view of this situation, the Cartagena Agreement Board on 15 February informed its 130 Peruvian and foreign employees that they would be on furloughed until 4 March.

Inter-American Affairs: L.A. Companies' Privatizations

96SM0094A Quito HOY in Spanish 14 Jan 96 p 6A

[Article: "Privatizations in Latin America: The Big Bargains"]

[FBIS Translated Text] *Among this year's big bargains in privatizations in Latin America, the sale of 35 percent of Emetel, Ecuador's State Telephone Enterprise, could become one of the most sought after, according to information contained in tables published in the annual edition of the magazine AMERICA ECONOMIA.*

The other great privatization pending in Ecuador in 1996 is that of Inecel [Ecuadoran Institute of Electrification], owner of most of the electricity generating plants in the country.

So far, There have been only three privatizations in Ecuador: Aztra [American Tropical Sugar Mill, Inc.], 51 percent of Cementos Selva Alegre, and 50.1 percent of Ecuatoriana de Aviacion. These transactions generated less than $200 million.

According to available data, the largest privatization in Latin America thus far was the capitalization of 50 percent of the Bolivian National Telecommunications Enterprise, which meant $610 million in new capital for Bolivia.

Ecuador

Privatizations Completed			
Company	Sector	Buyer	Price US$million
American Tropical Sugar	Agribusiness	Not Available	100
Cementos Selva Alegre (51 percent)	Cement	Finlatam (Spain)	40
Ecuatoriana de Aviacion (50.1 percent)	Airline	VASP (Brazil) and others	32.9
Still in the Future			
Cemento Chimborazo (96.3 percent)	Cement		
Cementos Selva Alegre (remaining 47 percent)	Cement		

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Inecel	Electric Energy		
State Telephone Enterprise-Emetel (35 percent)	Telecommunications		

Like the waves of the ocean, major business deals come and go. Until recently, the great mergers and acquisitions, especially of state enterprises undergoing privatization, were the order of the day in Latin America.

However, due to the Tequila effect caused by the crisis in Mexico, it seemed that capital was fleeing Latin America. Now the trend is again changing: while, earlier, $14 billion entered the region for buy-outs, mergers, joint ventures and capitalization of firms, now it is estimated that just in the final months of 1995, and in all of 1996, $20 billion will enter Latin America for mergers and acquisitions.

Several factors explain this extraordinary reversal: Mexican firms on the point of collapse need fresh blood to survive, low salaries that continue to make the region attractive for U.S. firms. Other firms want a piece of the pie represented by Mercosur's great domestic market and, finally, privatizations in the energy and telecommunications sectors, where important capital is undoubtedly interested.

Thus, from information reported in the annual edition of the magazine AMERICA ECONOMIA, available data indicate that the largest privatization thus far was the opening to private capital of 50 percent of Bolivia's National Telecommunications Enterprise, which brought in $610 million of new capital for Bolivia.

However, the biggest transactions are still to come. Bolivia is preparing for the privatization of Bolivian Government Oil Deposits, that country's largest company and one of Latin America's 500 biggest.

In Argentina, the sale of 95 percent of the Banco de Misiones is in preparation, in Venezuela, the privatization of the Banco Latino and of the dd secgigantic Orinoco Steel and Minerven [expansion not available] or of 51 percent of the petrochemical firm Pequiven [Petrochemical Company of Venezuela, Inc.]

In Brazil, the biggest privatizations being prepared for 1996 are in the electric energy sector: Light do Rio de Janeiro (81.6 percent), Sistema Electrobras (62.6 percent) and 99 percent of the Federal Railway System will also be placed on the market.

But perhaps the greatest sales expected to take place this year are in Mexico, with the concession of the operation of the airports in Mexico City and Cancun, the concession of the right-of-way use of the National Railways, and of Mexico City's Metro and Bus System. But basically the biggest transaction will be the sale of Pemex's [Mexican Petroleum] 61 petrochemical plants, the third largest enterprise in Latin America.

Argentina

Privatizations Completed			
Company	Sector	Buyer	Price in US$million
Futaleutu (98 Percent)	Electricity	Aluar (Argentina)	225.6
Edet-Tucuman (51 percent)	Electricity	Cartellone (Argentina)	47
Distribution Company Santiago del Estero	Electricity	Houston Energy Industries (US)	15.6
Northern Gas Transportation	Energy	Gas Transmission and Storage	Not Available
Metrogas(20 percent)	Energy	Sold on the stock market	121
Still in the Future			
Banco de Misiones (95 percent)	Banking		
Banco de Rio Negro (95 percent)	Banking		
Banco de la Providencia de Cordoba (49 percent)	Banking		
Banco Social	Banking		
Banco de la Providencia de Tucuman (49 percent)	Banking		
Encotesa [National Postal and Telegraph Co., Inc]	Electricity		

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San Juan Electric Company	Electricity		
San Luis Electric Company	Electricity		
Yacyreta	Electricity		
Salto Grande Hydroelectric	Electricity		
Rio Grande Hydroelectric	Electricity		
Pichipicunletu Central	Electricity		
Edesur [Southern Greater Buenos Aires Power Company]	Electricity		
Rio Juramento Hydroelectric	Electricity		
Buenos Aires Electric Company(49 percent)	Electricity		
Atucha I and II	Energy		
Embalse	Energy		
Nucleoelectrica Argentina S.A.	Banking		
Indupa Fusionada (52 percent)	Petrochemicals		
Bahia Blanca Petrochemicals	Petrochemicals		
Obras Sanitarias de Tucuman	Health		
Obras Sanitarias de Santa Fe	Health		
Obras Sanitarias de Mendoza (60 percent)	Health		
Casa de Moneda	Public Service		
ATC	Telecommunications		

Bolivia

Privatizations Completed

Company	Sector	Buyer	Price in US$million
Coran Firm (part of the old ENDE-National Electricity Enterprise) (50 percent)*	Electricity	Dominion Energy	Not Available
Guarachi Firm (part of the old ENDE) (50 percent)*	Electricity	Energy Initiatives, Inc.	Not Available
Valle Hermoso Firm (part of the old ENDE) (50 percent)*	Electricity	Constellation Energy and others	Not Available
Cochabamba Light and Power (95.8 percent)	Electricity	Emel S.A.	50.3
National Telecommunications Enterprise (50 percent)*	Telecommunications	Stet	610

(*)In the process of capitalization, 50 percent of the firm's ownership is transferred to a private partner in exchange for a contribution of capital to the company.

Still in the Future

Lloyd Bolivian Airlines (LAB)	Airlines		
National Railroads	Railroads		

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Bolivian Government Oil Deposits(YPFB)	Oil/Gas		
National Smelting Enterprise(ENAF)	Steel		

[Box, p 6A]

Ecuador: Few Privatizations, but in 1996...

So far, the largest privatization in Latin America was the capitalization of 50 percent of the Bolivian National Telecommunications Enterprise, which brought in $610 million in new capital for Bolivia.

Thus far, privatizations in Ecuador have involved only three companies: Aztra, 51 percent of Cementos Selva Alegre, and 50.1 percent of Ecuatoriana de Aviacion. These sales generated less than $200 million.

The biggest deals are still in the future. The biggest of them will be the sale of 35 percent of Emetel, the State Telephone Enterprise of Ecuador, and of the assets of Inecel, which owns most of Ecuador's electrical generating plants.

While it is expected that there will be important foreign investments in the two largest Ecuadoran firms susceptible to privatization (except for Petroecuador, which ranks 48th among the region's 500 largest), there are also very large Ecuadoran investments abroad, especially by banks. The Banco de Pichincha has purchased 50 percent of Finevesa Comercial of Colombia and the Banco Financiero, and the Banco Popular acquired the Banco Andino, also of Colombia.

There are also plans for joint venures and alliances by Filanbanco with Provida of Chile and with Americatel of the US for ventures in telecommunications.

Colombia

Privatizations Still to Come	
Company	Sector
Bogota Airport	Airports
Cartagena Airport	Airports
Barranquilla Airport	Airports
Calsa, S.A. (41 percent)	Agribusiness
Banco Provincial (10.7 percent)	Banking
Banco Tequendama	Banking
Banco Popular	Banking
Banco Central Hipotecario	Banking
Railways	Railroads
Financiera Concasa (31 percent)	Financial

Peru

Privatizations Completed			
Company	Sector	Buyer	Price US$million
Agroindustrial of Chao (30 year concession)	Food	Promotora Mercantil (Peru)	Not Available
Salt Company	Food	Quimica del Pacifico(Peru)	15
Banco Continental	Banking	Banco Bilbao-Vizcaya(Spain)	255
Cahua (60 percent)	Electricity	Sipesa(Peru)	41.2
Sindicato de Inversiones y Administracion	Financial	SIA & Cementos Lima(Peru)	4.7
Nuevas Inversiones S.A.	Financial	NISA & Cementos Lima (Peru)	2.6
Pescaperu (Planta Chimbote)	Fish	International Fish Protein (USA)	5.9
Pescaperu (Planta Molledo)	Fish	Sindicato Pesquero del Peru	5.1
Samanaco	Fish	Casmar(Peru)	4.8
Cajamarquilla	Steel	Cominco(Peru)	193
Entur Peru	Tourism	Local Private Investors	25.3
Still in the Future			
Cemento de Pacasmayo (33 percent)	Cement		
Cementos Andino	Cement		

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Cementos Sur	Cement		
Electrolima	Electricity		
Electroperu	Electricity		
Distribuidora Electrica de Canete (60 percent)	Electricity		
Distribuidora Electrica de Chancay (60 percent)	Electricity		
Hidroelectrica Carhuaquero	Electricity		
Hidroelectrica Canon del Pato	Electricity		
Hidroelectrica Mantaro	Electricity		
Enafer Via Cuzco-Quillabamba	Railroads		
Cachimayo	Fertilizer		

Buyer	Company	Seller	Sector	Price (US$ million)
Banco del Pichincha (Ecuador)	Finevesa Comercial (50 percent)	Finevesa Comercial (50 percent) (Colombia)	Banking	Not Available
Filanbanco (Ecuador)	Banco de los Andes	Banco de los Andes (Ecuador)	Banking	189
Banco Popular del Ecuador (Ecuador)	Banco Andino	Banco Andino (Colombia)	Banking	65
Banco del Pichincha (Ecuador)	Banco Financiero (30 percent)	Banco Financiero (Peru)	Banking	7
Uniland (Spain)	Cementos Selva Alegre (51 percent)	National Financial Corporation (Ecuador)	Cement	40

Due to the "Tequila effect" caused by the crisis in Mexico, it seemed that capital was fleeing Latin America. But now the trend is reversing itself: while, earlier, $14 billion came into the region for buy-outs, mergers, joint ventures and capitalizations of companies, now it is estimated that in the final months of 1995 alone and in 1996, $20 billion will enter Latin America for mergers and acquisitions.

The biggest transactions expected to take place this year are in Mexico, with the concession of the operation of the Mexico City and Cancun airports, the concession of the usage of the rights-of-way of the National Railways and of Mexico City's Metro and Bus System. But, basically, the largest will be the sale of 61 petrochemical plants of Pemex, the third largest enterprise in Latin America.

Mergers and Acquisitions

Buyer	Company	Seller	Sector	Price (US$ million)
Peru Pacifico (Peru)	La Fabril	Bunge and Born (Peru)	Food	209
ING Capital Holdings/ Bankers Trust (USA)	Nicolini Brothers (minority share)	Nicolini (Peru)	Food	30

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Cuba

Cuba: Trade Minister Meets With Barbadian Official

PA2002143996 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Feb 96

[From the "National Radio News" newscast]

[FBIS Translated Text] Relations between Cuba and Barbados are framed within the context of our relations with the Caribbean islands, Foreign Trade Minister Ricardo Cabrisas said during a visit to Expocuba in the company of Philip Goddard, Barbados' minister of commerce, trade, and foreign relations.

Goddard's visit to Cuba is an important step in the policy of rapprochement between both nations.

[Begin Goddard recording] The main areas that I am looking at are to see what sort of products Barbados can export from Cuba cheaper than from other nations, and in addition to that we are creating an environment in which we can provide financial and technological services to Cuba. [end recording]

During his visit, Minister Goddard will sign two accords. One to promote and protect investments and another one to issue visas between both countries. This is aimed at increasing communications and strengthening the investments of Barbadian capital in Cuba, the implicit goal of these visits.

In this regard, Ricardo Cabrisas expressed great optimism on the steps being taken.

[Begin Cabrisas recording] We believe that the prospects are good, especially for joint efforts that can be made within the framework of the Joint Cuba-Caricom [Caribbean Common Market] Commission, which will also take place during this first quarter. [end recording]

Both officials are also scheduled to discuss the status of commercial relations between the countries and projections for the rest of the year, as well as in the medium term.

Cuba: Visa, Investment Agreements Signed With Barbados

PA2102001896 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 20 Feb 96

[Report by Gloria Orgas; from the "NTV" newscast]

[FBIS Translated Excerpt] Acting Foreign Minister Jorge Bolanos and Senator Philip Goddard, Barbados' minister of foreign trade and international business, have signed a visa agreement at the Foreign Ministry. Today, Ibrahim Ferradaz, minister of foreign investment and economic cooperation, and Goddard also signed an agreement to promote and protect investments. The two agreements will provide for expansion in the areas of exchanges, communications, and stronger economic and diplomatic ties between Barbados and Cuba.

[Begin Ferradaz recording] The signing of this agreement by the two countries is quite significant to us. It is the first agreement that Cuba is signing with a Caribbean state. It opens up avenues for greater institutional cooperation between our countries as well as our businessmen. [end recording] [passage omitted]

Cuba: Government Prohibits Meeting of Opposition Groups

PA2102012896 Madrid EFE in Spanish 2216 GMT 19 Feb 96

[FBIS Translated Text] Havana, 19 Feb (EFE) — The government of Cuban President Fidel Castro today prohibited the first public meeting of the Cuban Council [Concilio Cubano] scheduled for 24 February with the participation of most domestic, opposition groups.

In an information bulletin, sources from the Cuban Council have said the government had "personally" contacted Gustavo Arcos Bergnes, secretary general of the Cuban Human Rights Committee, through Lieutenant Colonel Aristides Gomez of the Interior Ministry, to advise them of the prohibition.

"Not being able to hold the meeting is not a failure for us but, rather, is only the start of a waiting period until the circumstances allow us to hold it," states the bulletin, which clearly indicates that at least the most well-known dissidents who have signed it will abide by the government's decision.

The text of the document notes the commitment "to a peaceful transition toward democracy" and adds that the struggle will be continued despite the postponement of this meeting.

In addition to Arcos, the note was also signed by Elizardo Sanchez Santacruz, from the Human Rights and National Reconciliation Commission; Felix Bonne, from the Civic Current; Martha Beatriz Roque, from the Cuban Institute of Independent Economists; Jesus Yanez Pelletier, vice president of the Cuban Human Rights Committee; and Vladimiro Roca, of the Democratic Socialist Current.

In statements to EFE, Arcos has said the government had indicated a certain flexibility since the beginning of the year, "and that is why we thought it had begun to accept the presence of a dissidence."

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According to Arcos, the Cuban Government "must reflect, and a time will come in which it will recognize there is a part of the population that disagrees with its policies."

The Cuban Council was created in mid-1995 as a first attempt to assemble all domestic opposition groups. Approximately 130 to 140 groups, some with minimal importance and others with some degree of importance, were convened to the 24 February meeting.

According to Cuban Council sources, the 10 most well known groups, including all those who signed the note, will heed the government's decision, but they do not know what the other groups will do. Some of these groups are much more radical.

The same sources has said that between 15 to 19 February, the Cuban authorities had arrested a dozen dissidents, four of them members of the organization's secretariat, the organization in principle responsible for convening the meeting.

Cuba: Western Army Observes Beginning of Training Year

PA2002154396 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Feb 96

[From the "National Radio News" newscast]

[FBIS Translated Text] At the closing of the ceremony marking the beginning of the training year in Pinar del Rio Province, Division General Samuel Rodriguez Plana, a member of the Central Committee and deputy chief of the Western Army, was interviewed by reporter Jose Cabrera Peinado:

[Begin recording] [Peinado] General, you just affirmed that the Western Army completed 1995 with positive results in the preparations for the defense of all the people and in general. What are the goals for 1996?

[Rodriguez] This year we will try to improve over the great results attained in 1995. We expect to continue being the command with the best results in the Revolutionary Armed Forces. We will truly turn our army into the spearhead of the great army of the people.

[Peinado] We are about to commemorate the 24 February 1895 uprising organized by Jose Marti.

[Rodriguez] What can I tell you but what our commander in chief always says: This is a single war of over 100 years. We will continue to be loyal compatriots of these principles and give continuity to the ideals of our national hero Jose Marti and truly fulfill the goal of not only preserving the revolution but also moving ahead. Our army is working toward that goal. We will never violate these revolutionary principles. [end recording]

Cuba: 1995 Performance of Eastern Army

PA2102033996 Havana Radio Rebelde Network in Spanish 1800 GMT 19 Feb 96

[From the "National Radio News" newscast]

[FBIS Translated Text] During a ceremony making the closing of the Eastern Army Military Review Council, Army General Raul Castro Ruz has commended the members of the Eastern Army, their commander, Division General Ramon Espinoza, and the people of the region whom that command defends, as well as the political and state bodies of those six provinces.

With the presence of Politburo members Revolution Commander Juan Almeida Bosque, Division General Ulises Rosales del Toro, and the first party secretaries from the six easternmost provinces, the council was briefed at length on the Eastern Army's performance during 1995, a period which is generally considered the best in the past five years and which includes advances in civilian defense efforts, particularly in Santiago de Cuba and Holguin Provinces. Camaguey Province was the best in the forestry program, and this year will focus on improving plant survival rates.

The members of the Eastern Army provided over 6,000 tons of food to the local population and saved approximately 630 megawatts of energy without relinquishing their main task of combat training and readiness.

In terms of the sugarcane harvest, the most difficult situation is found in Las Tunas and Camaguey Provinces, which briefed Comrade Raul Castro on measures being taken to revert this situation.

Raul stressed the importance of consolidating the best efforts attained this year.

Cuba: Official on Food Industry's Development

PA2102020796 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 17 Feb 96

[From the "NTV" newscast]

[FBIS Translated Text] Domestic Trade Minister Barbara Castillo has confirmed in Matanzas the government's determination to support the development of the food industry with a new concept, broad and integral, that contemplates the participation of the agricultural and industrial markets, the specialized enterprises, the entrepreneurs, and organizations with potential.

To this effect, Castillo praised the work being done by the La Plaza farmers market in Matanzas. Nine food establishments offering a variety of foods and prices and served by only 72 workers operate at La Plaza. The supplies are purchased from the farmers market itself at

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prices set by the forces of supply and demand. Quality, hygiene, and profitability are essential requirements. There is a lot of opportunity for the workers to use their initiative and creativity. There are already similar places in other parts of the country, and the trend is expected to spread gradually.

[Begin Barbara Castillo recording] Our challenge lies in not trying to cover too much ground. Rather, we should consolidate what we have so that we can modify the people's view of these establishments and so that we can truly — from our position as government enterprises — begin to give better service to our people with this wide range of foods. [end recording]

In her tour through Matanzas, the domestic trade minister stressed the advantages of competition and a dynamic management in the food industry, which cannot be tackled by one enterprise in each location as was the norm for many years.

[Begin Castillo recording] Monopolies are history; therefore, this is a new challenge nationwide. [end recording]

Even with high prices — although not as high as those charged by privately-owned establishments — the (Murino) farmers market demonstrates, with deeds, that the state-run food industry can successfully compete and meet a considerable part of the population's demand.

Cuba: 'Straight Talk' Views Individual Interests

PA2002210396 Havana Radio Rebelde Network in Spanish 1700 GMT 16 Feb 96

["Straight Talk" program with GRANMA journalist Vladia Rubio and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Good evening, friends. This is "Straight Talk" on Radio Rebelde. Tell me what your interests are, and I will tell you who you are. This is the subject that Vladia Rubio of GRANMA newspaper proposes today.

Valdia, what are your interests?

[Rubio] My interest here today is to talk clearly regarding individual and group interests.

[Rodriguez] Then, you shape public opinion? See, I guessed who you were.

[Rubio] In addition to that, my interest here is to defend individual interests.

[Rodriguez] But, individual interests mean selfishness.

[Rubio] Not at all. Individual interest is not selfishness, and it is not individualism, although it could lead to the latter. Individual interest ...

[Rodriguez, interrupting] I don't understand.

[Rubio] I will explain it to you. Osvaldo, the individual is necessary, just like a [indistinct word] of social change or social development. Society is not a homogeneous entity, an abstraction. Society is the sum of individuals. Precisely, it is the sum of individual interests, which make up the group interest. That is why it is so important, so crucial, that the individual's interests be satisfied. That he feel his interests are satisfied to work in favor of the group interest.

[Rodriguez] Then you defend individuality as part of a collective whole?

[Rubio] Yes, I do.

[Rodriguez] Not as individualism.

[Rubio] No, not as individualism. We are often wrong when we talk abstractedly about the masses, the people, and people. It seems to me that that abstract term does not always move...

[Rodriguez, interrupting] But, that is not an abstraction, because the masses, the people, and people, exist.

[Rubio] Yes, but if one wants to move, persuade, ask, or receive, one has to address each individual, one has to go through the filter of each individual's interest. You have to reach the essence of each individual and sway his interests, satisfy them, and at the same time arouse new interests that are in keeping with the interests of society as a whole.

[Rodriguez] However, if 10 people assemble here, each one will have different interests. I ask you...

[Rubio, interrupting] Excuse me, Osvaldo, but that society will move forward, because despite the fact that we all have different interests, we also have common interests.

[Rodriguez] Then, you are talking about increasing the possibility of the interest of the group through the interest of the individual.

[Rubio] I am saying that when individual interests are satisfied that should be in harmony with social or group interests. To achieve the satisfaction of individual interests for the sake of the group's interest.

[Rodriguez] Without intellectualizing...

[Rubio, interrupting] Of course, rather than being philosophical staying in...

[Rodriguez, interrupting] Let us get down to specifics.

[Rubio] The realm of concepts.

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[Rodriguez] Let's come down to earth. Let's get our feet on the ground.

[Rubio] For example, how can we proceed so that the group's interest or society's interest does not alienate the individual's interest. For example, I believe that the individual has to be understood as an agent of change, and he must be given every opportunity and liberty to be able to change, to put his initiatives into effect, while at the same time he must be able to criticize common work, and since it is his, he must be able to criticize it and improve it.

[Rodriguez] Doesn't that occur every day? I understand that is the basis of our society, to give the individual participation. That is why everything is discussed with the workers.

[Rubio] Yes, everything is discussed with the workers. However, many times these well-meaning criticisms are left behind in the context of halls, or lobbies, because the objectives of the factories do not reach the individual's conscience as something of his own.

[Rodriguez] Tell me your interests and I will tell you who you are. That is the topic we are discussing here today with Vladia Rubio from GRANMA newspaper. Vladia, as to what is being done these days, you gave us a few examples of how some individuals' potential is undermined and prevented from achieving common interests.

[Rubio] To be more specific, Osvaldo, I believe that as far as productive activities are concerned, the individual must directly feel the benefits or harm of his contribution, of his work, but not at the macroeconomic level. When I say macroeconomic level, I am referring to the ration card, for example. The individual must feel the benefits or the harm caused by his work. When his work is bad, his wallet should feel it. When his work is good, it should also have a repercussion on his wallet.

What am I saying with this? All the profits of an enterprise, of course, cannot be distributed among all its workers, because the budget for social expenditures would always be scant. That would be absurd, but I do believe that if part of the profits of an enterprise reach the workers' wallets, those workers would feel they are the owners of part of that factory, of that enterprise. When they do not work, when they are inefficient, they should also feel the effects because sometimes people here do not work and earn the same salary as the ones who do work. I believe we have never adopted this economic principle, each according to his capability, each according to his work.

[Rodriguez] I believe it is a law that blazes trails for socialism.

[Rubio] That is right.

[Rodriguez] I agree with you, however, that there are sectors, especially the textile sectors, where workers earn more or less according to their work. That is not the case with the enterprise managers. This leads managers to not listen to what the workers have to say.

[Rubio] I believe that bureaucracy — and when I say bureaucracy, I do not only mean payrolls, memorandums, and so on...

[Rodriguez, interrrupting] That is not bureaucracy. Bureaucracy means those people who think up the methods and think up the systems, which never work and which obstruct work.

[Rubio] There is also a distance created between the leaders and those being led. That is bureaucracy. I believe bureaucracy has also conspired against the relationship that should exist between individual and group interests. There is also one thing. Sometimes we make demands from the people. We ask, demand, and request sacrifice, but the earnings are not immediately returned to the people. The individual may start thinking: What about me?

[Rodriguez] That is right. I understand you perfectly well.

[Rubio] That is why I was telling you a few minutes ago about the need to distribute part of the earnings of a company. Not only that. In order for there to be a relationship between group and individual interests, the worker must be fully aware of the company's plans. The worker should not only be allowed to be informed of the plans, but must also be allowed to work in the drafting of the plans. He has to approve them, criticize them, and know what is being produced in the factory. Very often we ask people: Where do you work? In this or that factory. What is the production plan? I do not know. How much was produced today? I do not know. What is the cost of what you produce? I do not know.

This way it is impossible to make the individual's interest coincide with the group interest. When a worker does not know any of these answers, his only interest is earning a salary.

[Rodriguez] Many workers only go there to earn a salary. Workers do not participate in the administration. It is said that an enterprise's administration is a collective one, but the workers' points of view are not heard. The workers' opinion need to be heard. Very often the mistakes that are made were foreseen by some worker or by some experienced workers in the company.

I would say this not only happens in textile factories, but also in the agriculture sector. Mistakes that are made

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in the agriculture sector were often foreseen by some of the workers.

Tell me your interests, and I will tell you who you are. That is the topic we are discussing today with journalist Vladia Rubio from GRANMA newspaper. Vladia.

[Rubio] I believe we are heading down the path of trying to make both types of interests coincide. I was reading the agenda of the 17th Congress of the CTC [Cuban Workers Federation]. If you read the agenda you will realize how attempts are increasingly being made to give a greater, more practical, and more effective participation to the working class in the decisionmaking process and in the administration of society.

[Rodriguez] The CTC has been working toward this goal for a long time since the days of the economic assemblies. Many problems, many managers were criticized by the workers themselves. When those workers see that their criticisms do not fall onto deaf ears, when they see that things change, they feel they are part owners. When we talk about individual interests, about group interests, we have to mention the social property issue. Let us call it that, social property. Very often people do not really feel they are the owners of things. They do not feel they are owners. It is often called state property. Why?

One of the things we are discussing here on the "Straight Talk" program is that the people do not directly feel the benefits. They cannot effectively participate in the decisionmaking process.

Going into another aspect of this discussion, but still within the same topic we are discussing, since this is a dialogue among colleagues as one of the spots of this program announces, I would like to ask you a question. Yesterday, when I was going over this topic, I did not find a specific answer to the question. Perhaps you have it. You know, Osvaldo, that there are a series of several participants in the economy that are emerging in Cuba. We can mention the self-employed workers. I asked myself: How could we make the individual interests of this sector coincide with the group interests, the social interests so they can continue to be our allies. We do not want to promote individualism. Do you have an answer?

[Rodriguez] I can tell you that in several "Straight Talk" programs we have talked about self-employed workers. We emphasized their merits, because after all is said and done, they are also workers. They may not be earning a salary from the state like you and me, but they are workers in our society. During those "Straight Talk" conversations, we talked about the need to keep them as our allies. The idea to invite them to join our labor unions has emerged. That is a way of doing it, but I do not think it is the only way. I believe we must work with them in a collective manner, meaning society working with the workers and their families. It is very hard to find a family that does not have a self-employed relative. I believe all of us, working together, will be united in society. If society does not cast them aside, they will not separate from society. I am talking about workers who work individually; I am not talking about those who work for others, meaning those who create their own companies and have their employees. Time is almost up. I do not know if you have something else to say.

[Rubio] It is unfortunate, but if time is almost up, let's hold another "Straight Talk" program another day.

[Rodriguez] Undoubtedly we must reiterate the idea that only when individual and group interests coincide will we achieve society's objectives and make society as a whole work well. Thank you very much, Vladia, for bringing up this important topic. I already know your interests. You, my dear listener, ask your neighbor what his interests are.

Cuba: TRABAJADORES Editorial Views Phase of Recovery

PA2102031296 Havana Radio Rebelde Network in Spanish 1255 GMT 19 Feb 96

[TRABAJADORES editorial read by Roberto Caneda during the "Doing Radio" newscast: "Recovering, But Fully Resisting"]

[FBIS Translated Text] During the past few months, with good reason, the word recovery has been invading popular language, as it is frequently used in economic statements and the press. The danger is not using it within context, exaggerating or distorting its meaning, separating it from its inseparable part: The key concept of resistance.

The truth is that we are about to enter a phase of recovery today and have reached this promising threshold because we have been able to resist. To cross that threshold and to reach the phase of recovery, something which will not be short, easy, or free of risks, national awareness should continue holding on to the concept of resistance. If things seem too easy, we would be preparing the scene for future disappointments. If we stop being optimistic, we would adopt the attitude of those who believe nothing is possible and who are tempted to give up and accept fatality. We must do as the good worker described by Andre Marois, who believing in his ability to carry out great things, carefully and gradually accomplished them.

For example, to continue moving forward in the phase of recovery, we need sugar production to grow approxi-

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mately 35 percent this year, among other things; tourism must increase its great potential to generate income. Construction workers must be more efficient. Accomplishing any of those three objectives will mean great difficulties, efforts, and tensions, but success will virtually guarantee a 5 percent economic growth previewed for this year, but that growth, which obviously will mean much to the country if accomplished and will increase internal and external certainty that we are on the right path, will not improve in line with the people's standard of living. We can expect, however, some improvements that will increase the purchasing power of salaries. Prices in the agriculture and livestock market could drop to some extent by increasing the supply of those products. The national currency could modestly increase its value vis-a-vis the dollar. The supply of the regulated state market could grow at least a little. It is expected that education, health, security, social welfare, and construction and the repair of houses will register slight gains. It is possible that a reactivation of the state food industry could have a positive effect on prices. It is also expected that the generation of electricity and the transportation of passengers will develop somewhat in 1996.

In addition, the average nominal salary, which increased from 186 to 193 pesos per month last year, should increase 2 percent according to the plan. Even though there will be no general wage increases, it is expected that incentive programs linked to the final results will benefit more than 1.6 million state workers and cooperative members.

In general, the economic growth accomplished as we enter the phase of recovery will not be reflected in an increase in the social and personal consumption of the majority of the population, as a large part of that growth is directed toward productive consumption, the recapitalization of certain vital sectors, and the payment of credits received. When we talk about the recovery of the Cuban economy, we should always bear in mind the scope of a drop in production. In that regard, we recall that the GNP was 35 percent lower in 1993 than in 1989. Only by considering this aspect can we realize that several years of continuous growth will be necessary to produce the same volume of wealth as in 1989 and in so doing to recover a standard of living similar to the one that prevailed during the 1980's.

Looking forward to the immediate future, Cubans must maintain and strengthen the spirit of resistance and trust, above all, in our ability to recover. Obviously we are not talking about resignation, passiveness, or plain sacrifice. Resisting is acting, creating, struggling, tracing our own path toward improvement and continuing along that path to the end with determination to succeed.

To conclude, we must say that determination has no similarity with triumphalism.

Cuba: Foreign Minister Arrives in Norway

PA2002121196 Havana PRENSA LATINA in Spanish 2139 GMT 19 Feb 96

[By Claudio Iglesias]

[FBIS Translated Text] Oslo, 29 Feb (PL) — Foreign Minister Roberto Robaina arrived today in Norway On the first leg of a trip that will also take him to Sweden, Denmark, and Finland.

Upon arriving, the senior official noted that Norway is prepared to listen to the voice of the island, respect it, understand it, and support it at the international level, as it did at the United Nations to condemn the U.S. economic blockade on the island nation.

The Kingdom of Norway established diplomatic relations with Havana in 1909, and these ties have gone through different phases depending on the world situation and the ideas and political conditions prevailing in each country.

In almost 90 years of official ties, this is the first visit by Cuban foreign minister to a Scandinavian country.

In Norway, Robaina will conduct a broad work agenda that includes meetings with government figures, Foreign Ministry officials, businessmen, nongovernmental organizations, universities, the press, and solidarity with Cuba groups.

The Antillean island acquired in this market industrial products, machinery, and cold storage equipment for fisheries. In addition, until 1980 the two nations had a broad economic cooperation program.

With the changes in Cuba and the world, and the opening to foreign investments carried out by the Havana Government, the conditions are set to boost commercial ties and economic assistance, something to which this visit hopes to greatly contribute.

Haiti

Haiti: Deputies Urge Lavalas as Prime Minister

PA1602120796 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96

[Report by Yvener Millien; from "The 0730 Appointment Newscast" — recorded]

[FBIS Translated Excerpt] [Announcer] Chamber of Deputies Vice President Kelly Bastien believes that the choice of a non-Lavalas prime minister would

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cause many difficulties in the lower chamber. Deputy Bastien says he thinks Lavalas parliamentarians must take advantage of this historic opportunity to have their rights respected. The following is a report by Yvener Millien.

[Millien] If the executive does not choose a prime minister from the Lavalas Movement, that prime minister would have difficulty being ratified, Chamber of Deputies Vice President Kelly C. Bastien said. He added that if we are struggling for the Constitution, its principles must be respected. The vice president of the Chamber of Deputies thinks it is an historic opportunity for Lavalas parliamentarians to have their rights respected.

Furthermore, Bastien stated that even if our mother or father moves away from the principles, we will put them right, because if we cannot respect the rules of the game it will be difficult for us to work together.

Bastien says he wants a prime minister who is not a puppet, who has political vision, and who can take the demands of the popular masses. Deputy Bastien added that the president is free to choose who he wants, but the prime minister must be a member of the Lavalas Organization [OPL]. [passage omitted]

The Cap-Haitien parliamentarian went on to say that the deputies will be more willing to ratify a Lavalas prime minister, who would implement the Lavalas program, instead of a prime minister who would define his own political program. Deputy Bastien says that during the meeting parliamentarians held with the executive on 13 February, the latter did not indicate an intent to choose a Lavalas prime minister.

[Bastien] The president does not show a tendency to want to choose someone from the parties that are around the table. He says he will choose someone who may be in the Lavalas sector, but who is not a member of the political parties. [passage omitted]

[Millien] For his part, Deputy Levelt Altidor, who is a member of the Finance and Interior Committee, thinks it is urgent to choose a prime minister. However, like Deputy Kelly C. Bastien, Deputy Altidor asserts that there are people who are competent, honest, and capable of working within the OPL. He went on to say it is not an issue for the executive to choose a prime minister who is not a member of the OPL, because anybody could say they are Lavalas partisans. So, according to Deputy Altidor, if the prime minister does not come from the OPL, it will be difficult for Haiti to have a prime minister in the next few days.

Concerning the choice of prime minister, a reliable source told us that Chavannes Jean-Baptiste has withdrawn, because he asked the OPL to officially propose him, and this was never done.

Frantz Verella apparently refused to accept the job. For his part, Gerard Pierre-Charles seems to be on standby.

Anyway, the Lavalas deputies will apparently not make any concession with regard to Article 137 of the Constitution, which provides for the prime minister to be chosen from the majority camp. Yvener Millien for Signal FM.

Haiti: Preval Allegedly Refuses $1 Million From Taiwan

PA1602183496 Port-au-Prince Tropic FM in Creole 2300 GMT 14 Feb 96

[FBIS Translated Text] Apparently, President Rene Preval categorically refused [to receive] a check for $1 million written out to him and coming from the Republic of China right after he took office.

President Preval allegedly told the Taiwanese authorities that it would be preferable that they give a substantial assistance to Haiti (?for instance) in the field of agricultural equipments, according to a report from LE NOUVELLISTE.

Haiti: Officials, Militants Call For End to Corruption

PA1702040196 Port-au-Prince LE NOUVELLISTE in French No. 35,143 8 Feb 96 p 8

[Article by INTER-PRESS SERVICE reporter Ives Marie Chanel entitled "Haiti: Lavalas Militants Call for the Moralization of the State" and published under the "Society" rubric; quotation marks as received]

[FBIS Translated Text] They were not in the Parliament on the morning of 7 February, on the occasion of the inaugural ceremony of new Haitian Prèsident Rene Garcia Preval. Yet, those dozens of youths held back by the security cordons are a part of those who brought outgoing President Jean-Bertrand Aristide to power in December 1991 and who elected Preval as well last December.

Most of them come from shantytowns located in the north of the capital. They did not need an invitation from the protocol office to express their frustrations. Aristide left, and they count — they say — on Preval to improve their situation.

Paradoxically, they would again like to have Aristide as the head of state in 2001, but they do not mince words in denouncing the corruption prevailing within his governmental team.

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Their words are sometimes not very nice. President Aristide's head of cabinet Leslie Voltaire was publicly called "a crooked dealer" by dozens of demonstrators who gathered in front of the Parliament.

Voltaire went to his car without saying anything to the journalists; however, a few minutes later, his possible successor, peasant leader Chavannes Jean-Baptiste, coordinator of President Preval's transitional team, laid his cards on the table.

"We are going to increase national production and dispense justice. We are going to struggle against corruption and the culprits — whether they are Lavalas (partisans of the party in power) or not — will be prosecuted," he said to demonstrators, who were visibly satisfied with the contents of his speech.

Jimmy Poteau, a young political militant of the Revolutionary National Front from the important shantytown of Cite Soleil, does not hesitate to call President Aristide's close colleagues "big eaters."

The struggle against corruption appears to be an important point in the demands of grassroots groups and on the agenda of some officials of the Lavalas Movement.

For the moment, no evidence supports rumors and public statements made on embezzlement, of which certain sectors of the preceding government are accused. Behind the scenes, certain officials of the new government show themselves carefully, but acknowledge embezzlement was a possibility.

The "evil" was routed out by Joseph Emmanuel Charlemagne, the mayor of the capital, who last October denounced those practices that were deemed fishy. Since then, Manno Charlemagne has stood aloof from the state servants of the presidential palace.

In November, Charlemagne forcefully came out to impose the candidacy of Rene Preval, whereas the partisans of Aristide showed themselves more willing to support an extension of his term by three years.

In spite of everything, he refrained from attending the inaugural ceremony. "I was not at Preval's inaugural ceremony because I did not want to shake hands with the thieves at the National Palace. I will be there tomorrow. If Preval does not want to do his job by implementing reforms, it is his business, but he will fall," he tells IPS [INTER-PRESS SERVICE].

Charlemagne asserts that he holds files on embezzlement. "You are journalists; ask former Minister of Finances Marie Michelle Rey for the list. Ask her to talk to you about the 330 million gourdes (about $18 million) in the budget deficit. You should have the list of small projects, the list of bogus firms with colossal contracts," he explains.

He gives the example of 100 million gourdes entrusted in March 1995 to an official involved in the security of the president. He speaks of an amount of 500,000 gourdes ($31,000) allocated to the presidency for the construction of the fence for a sporting field, whereas this soccer field was actually enclosed with coconut palms only.

At the same time, Charlemagne denounced a plot aimed at assassinating him as well as a great number of members of the Lavalas family, including parliamentarians. He has accused members of the National Police of working in close cooperation with the U.S. intelligence services. He warns that he will soon cite the names of those allegedly involved, according to him, with the CIA in assassinations such as that of Mrs. Mireille Durocher Bertin, a lawyer close to the putschists who overthrew President Aristide in 1991...

Economist Gerard Pierre-Charles, who is on the list of candidates for the post of prime minister, says "the perversions of power must be corrected, and the Lavalas Movement must be given its true substance." Pierre-Charles, who made allusion among other things to the corruption denounced by public clamor, wants democracy to be reinforced in Haiti. "I want the authority of the state to be reinforced, but this reinforcement should not be considered in a repressive sense. Instead it should start from the principle of a state that can satisfy the needs of the population," he told IPS.

"The house must be put in order. I want parliamentary commissions to be set up to shed light on the possible cases of corruption," said Delynx Pierre-Louis, a senator elected under the banner of the Lavalas Political Platform.

Even though he announced his determination to fight corruption during his mandate, the new Haitian president left that out of his inaugural speech on 7 February. Preval had previously indicated that he would wage war on the corrupt.

Haiti: Major Medard Joseph To Head Administrative Police

PA1602183596 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] Changes have been made within the National Police. The central management of the administrative police has been entrusted to former Haitian Armed Forces Major Medard Joseph, a close friend of the outgoing president.

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Joseph has replaced in this post Colonel Cantave E. Neptune who has now become the head of the management of the judicial police after the resignation of Maj. Dany Toussaint, according to information received from reliable sources close to the National Police.

The same sources explain that the nomination of Medard Joseph was decided by the national council of the National Police less than one month after the Senate rejected the choice of Dr. Fourel Celestin for general manager.

It should be pointed out that Joseph was in charge of the security of the presidential palace until his nomination which is presented by the officials of the National Police as a transfer given that Maj. Medard Joseph worked for that same institution.

Haiti: Preval Urges Local Production To Lower Food Prices

PA1602172596 Port-au-Prince Signal FM Radio in Creole 1230 GMT 14 Feb 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] In his first public appearance, President Rene Preval paid a visit to the Ministry of Agriculture on 13 February. Preval spoke in favor of the reduction of the cost of living and decentralization. Preval met with Agriculture Minister David Nicolas and several officials of this institution. Preval wants the Ministry of Agriculture to contribute to the promotion of rice and other foodstuffs in the country in order to lower the prices of some products in the country. Preval emphasized the amount of money spent by the country every month through rice import.

[Begin Preval recording] The price of rice, the price of foodstuffs in general is getting expensive. So, our mission, the mission of the Ministry of Agriculture is to contribute to reduce the price of food through the production of foodstuffs. My first and last visit in a ministerial department took place here in 1990-1991. We stood here, discussing with peasant associations how to carry out the land reform. Then, there was the coup d'etat and we fought for three years so those who had staged the coup d'etat would leave. They did and we have come again to the same place to do the same job. [applause]

In 1991, the Ministry of Agriculture had a budget of which 90 percent was earmarked for here, in the yard, and 10 percent for the rest of the country. Are foodstuffs made in Damien? [the audience answers: "No!"]. If foodstuffs are not made in Damien and if we say we will change the state, the money intended to make foodstuffs must go to the place where the foodstuffs are being made, that is where foodstuffs are planted, where they make foodstuffs grow. [end recording] [passage omitted]

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Mexico: U.S. Actions on Border Surveillance 'Regrettable'

PA1602201796 Mexico City LA JORNADA in Spanish 15 Feb 96 p 43

[FBIS Translated Text] The Institutional Revolutionary Party [PRI] has described as "regrettable" the measures increasing the U.S. budget for border surveillance and the ban on hiring illegal aliens.

Washington has the right to promote actions to control its borders; however, "just as we oppose countries influencing the internal affairs of others, we also believe that the decisions that will have true harmful extraterritorial effects must be discussed."

These discussions, the PRI insisted, have to take place with neighbors first "to prevent harming bilateral or multilateral relations, especially if it could harm human rights or the people's dignity."

The PRI communique attributed to the International Affairs Secretariat chaired by Sinaloa Deputy Alejandro Sobarzo Loaiza added the following: "Mexico's northern border belongs to Mexico. Any action adversely affecting this area of our country adversely affects the rest of the nation. Its reality is quite different from the reality of any other border in the world, and it falls within the framework of very complicated bilateral relations."

Even though our borders are regulated by "enough bilateral cooperation instruments, the exercise of government policies has subjected them to difficult pressure usually because of political and electoral reasons. This fact, which is serious by itself, acquires more significance when people's lives and dignity are at stake."

The PRI "is deeply concerned that the anti-Mexican, anti-immigration, protectionist, and iron-fisted electoral sentiment that intends to set responsibilities outside its own borders in an attempt to dodge its own responsibilities is adversely affecting not only human rights but also the commercial and other interests of countries such as Mexico."

It is also worrisome "that this sentiment seems to be growing, giving U.S. authorities the false notion that the campaigns' more radical elements must be translated into government policies of exclusive electoral purposes, as seems to be the case of the new decree" President William Clinton signed.

If there were any doubt that the recer measures are part of preelection campaigns, "we must pay attention to the statements made by Republican presidential hopeful Lamar Alexander, who came in third in the Iowa primary elections and who affirmed that the true merit for the signing of this decree belongs to his party."

Finally, the PRI asked the U.S. presidential hopefuls to "moderate their positions and instill in them overtones of goodwill, rapprochement, and possibilities of talks in order to ebb currents of opinion that are becoming more radical by the day toward everything that comes from abroad, especially from Mexico." An attitude more keen on proposals "would prevent running the risk of harming the relations with our country and could again lead bilateral issues to a less bumpy road."

Mexico: U.S. Justice Department Drug Allegations Rejected

PA1802185596 Mexico City LA JORNADA in Spanish 16 Feb 96

[Report by Georgina Saldierna and David Aponte — received via Internet]

[FBIS Translated Text] The Office of the Attorney General of the Republic [PGR] yesterday asked the U.S. Justice Department for documents supporting its affirmation that Mexico is a "leading" country in the production and trafficking of methamphetamines, a new synthetic drug whose consumption is on the increase in the United States. The PGR also rejected any allegation not supported by concrete facts.

In 1995, the Foreign Relations Secretariat [SRE] and the PGR sent the United Nations a document in which they pointed out that the Mexican Government was willing to initiate bills that would obligate the Mexican chemical industry to report any demand for precursor chemicals, such as ephedrine, "especially when the orders are questionably large."

The SRE and the PGR pointed out that Mexican authorities also support a proposal to create an international data bank on precursor chemicals most frequently used to make synthetic drugs such as *ice* or *speed*.

"With emphasis on an integral view, Mexico has initiated a struggle to eradicate both drug production and consumption. Therefore, it is important that an evaluation be carried out in the same manner by each country's internal authorities, so their sovereignty will be respected," they argued.

Due to the declarations of DEA General Director Thomas Constantine that Mexico is a "leader" in the production and trafficking of methamphetamines, the PGR asked the U.S. Government for concrete data "that will allow confirmation of the truth of this assertion."

On Tuesday, Constantine affirmed that the DEA has "plenty of evidence that Mexican drug trafficking organizations control the production, exportation, and distribution of methamphetamines, or synthetic drugs produced with ephedrine, in U.S. streets."

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Attorney General Janet Reno suggested that the Mexican Congress should approve changes in the law to establish greater controls over precursor chemicals used in the production of *ice* or *speed*.

In a media communique, the PGR revealed that it had asked the U.S. Justice Department, under Janet Reno, for documentation supporting the DEA's information.

"The PGR does not spare any effort in its head-on attack on drug trafficking and precursor chemicals, the results of which have been reported to the public, and the success of the institution to date has received national and international recognition," the PGR added.

Last year, the SRE and the PGR sent a document to the United Nations that includes the position of the Mexican Government regarding the fight against organized crime on a national and international level.

From the start, the SRE and PGR have stated that the Mexican Government agrees with strengthening international cooperation to achieve greater professionalism and bilateral and multilateral cooperation "in the fight against organized crime, corruption, money *laundering*, a drastic increase in urban crime, strengthening of environmental legislation, and improvement of all aspects of the administration of criminal justice."

In addition, The SRE and the PGR believe it is necessary for nations that possess greater resources to establish bilateral and multilateral technical assistance agreements to offer training and the modernization of the national legal systems, always based on respect for sovereignty and the internal legal framework of each country.

Regarding measures to combat the production of drugs, the United Nations has proposed control on the demand for drugs and their illegal production in some countries, and an attack on the production of methamphetamines through greater control of precursor chemicals and the establishment of regulations that will force the chemical industry to provide data on the movement of these substances.

On these issues, the SRE and PGR indicated that Mexican authorities support initiatives on the prevention of drug consumption, and they believe that the proposals to control the precursor chemicals and the establishment of a data base, including large-scale purchase-sale operations of substances like ephedrine, are beneficial.

"The exchange of information constitutes one of the most positive forms of international cooperation, as long as it does not violate internal regulations.

"Mexico believes that organized crime is a phenomenon that must be dealt with in an integral way, which includes not only the repressive aspect, but also the preventive aspect. That is why it is beneficial to foment international cooperatior to confront this issue with a comprehensive solution," they said.

Mexico: Europeans Assess Chiapas Investment Potential

PA1702030596 Mexico City LA JORNADA in Spanish 15 Feb 96 p 7

[Report by Juan Balboa]

[FBIS Translated Text] Tuxtla Gutierrez, Chiapas, 14 Feb — Six European ambassadors have agreed that the signing of the first agreements between the Mexican Government and the Zapatist National Liberation Army (EZLN) unveil great possibilities for development in Chiapas, mainly via a massive influx of European tourists.

In a meeting held by diplomats with local officials, Chiapas State Government Secretary Eraclio Zepeda said that it is necessary that peace be secured throughout the state of Chiapas, and stressed that thus far the two main parties in the dialogue "are outlining the new relationship between the Indians and the state, between the state and the Federation, and between the different cultures that exist among the local population."

On behalf of the local government, Eraclio Zepeda pointed out: "Peace cannot only be based on the silence of the rifles and the absence of war. Peace is the presence of democracy, justice, dignity, and the acknowledgement of differences."

Mario Maiolini, Nestor Cockx, Hirst Palenberg, Kurt Hengl, Bo Torsten Henrikson, and Kimmo Pulkkinen [names as published], envoys from Italy, Belgium, Germany, Austria, Sweden, and Finland, respectively, began an official visit to the state of Chiapas today.

The objective of this visit to Chiapas by the six European ambassadors is to learn about the true situation in the conflict area and the progress being made through the peace negotiations in San Andres Larrainzar; to evaluate the possibilities for European investment; and to support development projects to benefit destitute communities.

Mario Maiolini, Italian ambassador and acting head of the diplomatic delegation, remarked that Chiapas has development potential in all areas and that there is a determination, by the federal government and the EZLN, to achieve peace through dialogue, the peace that all of Mexico's friendly countries acknowledge and appreciate with a spirit of loyalty and friendship.

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"We believe that what is being experienced in Mexico and Chiapas is extremely positive. We have the advances achieved over the past months, a sign of the wisdom and capacity of the Mexican people, and the acceptance of a glorious country," Maiolini stressed.

He also pointed out the "democratic capacity of the Mexican people," because, he added, they were able, without any distinction, to move on to a situation of dialogue and positive construction. He stated the interest of European countries in the Chiapas situation, and added that Chiapas is a state with "great potential" for development.

The diplomats referred to the armed conflict as something of the past and expressed their support for the state to begin building a future based on economic development. They also admitted that Chiapas has great development possibilities due to its tourist sites.

According to data provided by the Tourist Development Secretariat (Sedetur), 80 percent of foreign tourists who visit Chiapas come from Europe. "The European Community determinedly supports the flow of tourists to the national territory, including the state of Chiapas," added Maiolini.

Sedetur indicated that the tourist sector has begun to recover. Some data presented by this organization revealed that in 1995, 217,673 tourists visited San Cristobal de las Casas, which represents a 63.86-percent increase over 1994. In Palenque, the number of tourists rose from 144,220 (in 1994) to 164,590 (in 1995).

On Wednesday, the European diplomats met with Chiapas State Governor Julio Cesar Ruiz Ferro and Chiapas State Government Secretary Eraclio Zepeda.

Later, they traveled to the city of San Cristobal de las Casas, where they will hold a meeting with San Cristobal Bishop Samuel Ruiz Garcia, the members of the National Mediation Commission, and the legislators of the Harmony and Peace Commission.

Mexico: Authorities Say No Evidence of Salinas Crimes

PA1802040396 Mexico City Radio Red Network in Spanish 0000 GMT 16 Feb 96

[From "The Night Monitor" newscast]

[FBIS Translated Text] In Mexico City on Thursday, Estuardo Bermudez Molina, the Attorney General Office's [PGR] special prosecutor for electoral offenses, commented on the charges filed against former President Carlos Salinas de Gortari. The people have already found Salinas guilty for all of Mexico's current economic, political, and administration of justice problems. Despite efforts to find evidence of his culpability, however, the PGR has been unsuccessful. And do you know why? Special Prosecutor Bermudez replies:

[Begin Bermudez recording] There is no evidence. Just imagine a situation in which a person in such a high office neglected to fully cover up all tracks, clues, or hints that could incriminate him. Nevertheless, actions have been taken to report to the public about the seriousness of the PGR's commitment and the determination to take all necessary steps, to the last consequences, for the full administration of justice, regardless of who is involved. [end recording]

Bermudez spoke in the name of PGR head Antonio Lozano Gracia, who could not attend the university student forum because he had to travel to Washington, D.C.

Another question deals with insecurity in the country and the absence of actions by the proper authorities, which prompted him to say that society must make a bigger commitment to solving this problem.

[Begin Bermudez recording] Unfortunately, in a daily vicious circle, society often disregards specific cases that have harmed society, as well as the waste of time, problems, delays, and procedures required by our legal system. [end recording]

During his speech, he spoke about the PGR's modernization but, apparently, he failed to convince his audience.

Mexico: EZLN, Economy Issues Viewed at Regional Summit

PA1802180896 Mexico City Radio Red Network in Spanish 0000 GMT 17 Feb 96

[Report by Victor Manuel Suberza; from "The Night Monitor" newscast]

[FBIS Translated Text] At the conclusion of the Tuxtla Gutierrez II summit held in San Jose, a news conference was given in the Herradura Hotel's convention center. The delegation of journalists was told that they should select one reporter to direct questions to any of the eight participating presidents. The news conference began and a woman colleague from EPOCA magazine broached the Chiapas topic. Today is an important day because of the signing of the agreements on culture and education of Indian communities.

The colleague from EPOCA asked Guatemalan President Alvaro Arzu why the problem of the Guatemalan guerrillas had been dealt with at this summit and not the problem of the Chiapas guerrillas. She also posed this question to President Ernesto Zedillo, mentioning

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there was evidence that Zapatist weapons had come from Guatemala.

Guatemalan President Alvaro Arzu cunningly said that he was neither aware of the Zapatist's source of arms nor that Zapatists are sending weapons to Guatemalan guerrillas. That was the Guatemalan president's reply.

In his turn to respond to the reporter's question, President Ernesto Zedillo said that the reporter's source of information is good, referring to her statement that the Zapatist National Liberation Army [EZLN] was armed with rifles and other types of weapons from Guatemala. President Ernesto Zedillo reiterated his government's determination to find a solution to the Chiapas problem through dialogue. He also said that it is obvious that there are people interested in fueling the fire. We shall listen to this part of the president's reply regarding Chiapas. Afterward, I will comment on an important aspect of his defense of his administration's economic program.

[Begin Zedillo recording] I can only reiterate what I have said ever since I was president-elect: This problem like any other problem of this nature, must have a negotiated solution, a solution based on dialogue, and I am sure that we are going to achieve this. I have great confidence that we will manage despite the fact that sometimes, as you can see, there are people interested in fueling the fire. [end recording]

A reporter from a Costa Rican radio station mentioned to President Ernesto Zedillo that free trade between Mexico and Costa Rica has brought very few benefits. The reporter went on to ask if free trade was the key to solve the problems of all the countries of this area. President Ernesto Zedillo said that there were economists in the past, fortunately in the remote past, who thought that protectionism was the key to the development of Latin American countries. He was referring to Latin American countries collectively. Fortunately, those times have been left behind and it has been shown that those policies are a reflection of failure. Countries that took another course and opened their economy are undergoing full development and are part of the First World. President Ernesto Zedillo said that if those economists who side with protectionism had been his pupils, he would have probably failed them. They are nostalgic. This was the president's reply to a question from a Costa Rican radio network reporter.

This is how the Tuxtla Gutierrez II summit concluded. The president is now back in Mexico. These eight presidents are scheduled to meet again two years from now in Honduras.

Mexico: Commitment To Continuing Chiapas Talks Stressed

PA2002172296 Mexico City NOTIMEX in Spanish 1800 GMT 19 Feb 96

[FBIS Translated Text] Mexico City, 19 Feb (NOTIMEX) — Mexican President Ernesto Zedillo today stressed his commitment to continue to hold talks in the southern state of Chiapas within the legal framework, with tolerance, and without resorting to violence. The president told the country's military leadership that, "In Chiapas, we will continue to work with the language and events of peace and justice. In Chiapas, we will continue to talk the language of reconciliation and harmony."

Within the framework of the 83d anniversary of Army Day, President Zedillo pointed out that, since the beginning of his government, he has taken the initiative to seek serious negotiations with the Zapatist National Liberation Army (EZLN) operating in Chiapas. "Since the beginning of the negotiations, I said that a definite solution in Chiapas must be accompanied by careful and effective attention to the conditions of abject poverty and injustice, which are the root of the conflict," he affirmed.

He explained that the agreements signed with the EZLN on 16 February at the Indian rights and culture table constitute a first step and one of the many that we still have to take and complete to reach a solution in this region of the country.

Before Defense Secretary Enrique Cervantes and Navy Secretary Jose Ramon Lorenzo Franco, Zedillo stressed that this shows that, among Mexicans, the solution to all conflict lies in talks that are respectful of the law and differences. He said that in these times of intense economic, political, and social changes, the Army remains a solid bastion of legality, prudence, and determination, respectful of Mexicans' rights.

The president remarked that every change must be made within a legal framework, and that respect for rights in no manner excludes tolerance or negotiations. "We all can talk and understand one another within the law, because, within it, we all must contribute to the changes to forge a better Mexico," he added.

He affirmed: "If we want a genuine development with justice, we all must contribute to its construction, because peace with justice and development with fairness require everybody's commitment and the intense and permanent actions of the country's institutions."

Meanwhile, National Defense Secretary Cervantes said that the Mexican Army will not make the country's sit-

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uation more difficult, nor will it be a factor for disintegration or suspicions. The Armed Forces are respectfully observing the mature and pluralistic processes of democracy, as a synonym for real justice or as a factor for collective fairness.

The secretary recalled that the Mexican Army was created on 19 February 1913 and that, for 83 years, it has consolidated itself as a means to achieve objectives, not goals. [sentence as received]

Cervantes indicated that the Armed Forces have always adapted themselves to the economic resources the Republic can grant them, and their evolution has taken place alongside that of the rest of the institutions.

Mexico: Government, EZLN Sign Accord on Indian Rights

PA1602222396 Mexico City NOTIMEX in Spanish 1856 GMT 16 Feb 96

[FBIS Translated Text] San Andres Larrainzar, Chiapas State, 16 Feb (NOTIMEX) — Representatives of the government and the Zapatist National Liberation Army (EZLN) today signed the first peace accords in southeastern Chiapas State, following 11 months of negotiations.

The sides reached agreements on the topics of Indian rights and culture, the first accord that has been established in six months, which marks the start of new relations between the state and the Indian peoples.

The agreements were signed Friday at 1200 (1800 GMT) following 12 meetings between the two delegations that started last 8 April in the town of San Miguel Ocosingo, 1,000 kms southeast of Mexico City.

One of the main topics signed is the granting [otorgamiento] and recognition of Indian peoples in the Constitution. To achieve this, amendments on political, social, economic, and cultural rights will be enacted.

The government delegation, headed by Marco Antonio Bernal Gutierrez, and the EZLN delegation, coordinated by Commanders "David" and "Tacho," voiced their satisfaction over achieving this step 25 months after the armed conflict began on 1 January 1994.

In a protocol ceremony, the sides signed the documents in this town, one of the first ones to be occupied by the armed group at the start of its uprising.

The sides acknowledged that the results achieved during this second plenary meeting on the topic of Indian culture and rights will be included in the Agreement for Harmony and Peace with Justice and Dignity for the state of Chiapas.

The members of the Harmony and Peace Commission (Cocopa) and the National Mediation Commission (Conai) attended the ceremony. The signed agreements will be submitted to the Congress to be analyzed and debated, starting in March when the next regular period of sessions begins.

Mexico: PRD Militants Clear Access Routes to Oil Wells

PA1802042896 Mexico City NOTIMEX in Spanish 2144 GMT 16 Feb 96

[FBIS Translated Text] Villahermosa, Mexico, 16 Feb (NOTIMEX) — It has been reported here that militant members of the Party of the Democratic Revolution (PRD) today cleared the access routes to 63 wells of the state-owned Mexican Petroleum (Pemex) company that had been blocked since 29 January.

The PRD militants withdrew after PRD leaders and officials from the Government Secretariat signed an agreement in Mexico City Thursday night.

According to Pemex, the only well that continues to be blocked is Oxiacaque 4, which might be cleared in the next few hours.

Pemex spokesman Mario Martinez Rubio said that this very afternoon the company will begin dispatching personnel to all of the wells that were blocked for the past 18 days so that the necessary maintenance can be performed on the installations.

Martinez said that a full report will not be issued until the crews arrive and are able to assess the conditions at the wells.

For his part PRD Senator Auldarico Hernandez Geronimo affirmed that the access routes to all of the installations have already been cleared, among them the installations at Huatacalca, located in Nacajuca municipality.

Hernandez said that the agreement with the Government Secretariat was for the PRD members to withdraw from the access routes to the oil installations by 1200 hours on Friday, and this has been done, he stressed.

Beginning on 29 January, PRD sympathizers converged on the access routes to the oil wells to demand that a larger amount of money be spent on the communities in which oil-related activities are conducted.

Mexico: EZLN Proposes Eight Points for New Roundtables

PA2102020996 Mexico City NOTIMEX in Spanish 1908 GMT 19 Feb 96

[FBIS Translated Text] San Cristobal de las Casas, 19 Feb (NOTIMEX) — The rebel group that operates in the

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southern state of Chiapas today proposed eight subparagraphs for discussion during the roundtable "Democracy and Justice," with government representatives starting 5 March. According to a communique made public in this locality of Chiapas, the Zapatist National Liberation Army (EZLN) explained that the first four subparagraphs — divided into 61 sub- subparagraphs — address democracy, and the other four address justice. The topic of "Democracy and Justice" will be the second topic that EZLN and government delegates will study, following last Friday's signing of the agreements on the topic of "Indian Culture and Rights".

The subparagraphs proposed by the rebels begin with Electoral Democracy, which includes 10 subsubparagraphs, aimed at studying the participation of Indians in the electoral processes. In addition, the subparagraph Direct Democracy, with six subsubparagraphs, was proposed to address the new ways of social organization in the government.

The third subparagraph refers to Political Parties, Political Forces, and Civilian Society, while the fourth point touches on aspects dealing with Federalization and Municipality, where the organization of a municipality and its relationship with the federation will be reviewed. The fifth point studies matters related to Ensuring and Administrating Justice, aimed at fueling debates on the judicial power and its institutions.

The subparagraph Justice and Human Rights will analyze the role of nongovernmental organizations and the human rights of the Indian people. In the seventh point, the EZLN proposed the topic Democracy, Justice, and the Media. The last point would be Democracy and Justice in the Globalization Process.

The communique indicates that the proposals will be analyzed in March in San Andres Larrainzar, Chiapas, the permanent site of the talks. There, the government will probably submit its own proposal on the subparagraphs to be analyzed during the second roundtable. The final agenda will emerge from that discussion. The topics for each work group and the site for each roundtable will then be assigned, it stated.

During the roundtable discussion of "Indian Rights and Culture," six subparagraphs were analyzed. Five points were discussed in San Cristobal de las Casas and one in San Andres Larrainzar.

The government and Zapatists delegations have currently agreed on four roundtables: Indian Rights and Culture, Democracy and Justice, Promotion and Development of the Indian Community, and Women's Rights.

Mexico: Finance Secretariat Releases 1995 Economic Report

PA1802023396 Mexico City Radio Red Network in Spanish 0000 GMT 17 Feb 96

[Report by Antonio Guzman; from "The Night Monitor" newscast]

[FBIS Translated Text] As expected, the Mexican Finance and Public Credit Secretariat [SHCP] on Friday 16 February released an economic report for the last few months of 1995.

The GNP figures the SHCP reported for 1995 confirmed the severity of last year's crisis, from which the country has not yet recovered completely. In the report, the SHCP says that, although the economy improved slightly in the last quarter, the GNP dropped by 6.9 percent during 1995. This slowed the backward movement recorded in previous months, as a result of which the drop in GNP was only 6.6 percent from October to December 1995. From January to March, there was a negative result of nearly minus 1 percent. In the next two quarters, however, the drop increased until levels of minus 10.5 percent and minus 9.6 percent, respectively, were reached.

The SHCP also confirmed that 1995 was a poor year for the construction industry, because it dropped by 22 percent. As for activities in stores, restaurants, and hotels, the drop was 14.4 percent. In the manufacturing sector, the drop was 6.4 percent. In the agricultural sector, there was a backward movement of 3.8 percent and in the mining sector it was minus 1 percent.

Incredible as it may seem, the only sector that experienced positive results was the financial sector, made up of banks, insurance companies, and the like. It experienced a marginal increase, but an increase nevertheless, of .4 percent.

Mexico: Colombian Official on Money Laundering

PA1802230696 Mexico City EL FINANCIERO in Spanish 16 Feb 96 p 20

[Report by Special Envoy Gerardo Flores]

[FBIS Translated Text] Santa Fe de Bogota, 15 February — Despite Mexico's financial system not being subjected to a serious money- or assets—laundering problem, it still has a significant lag as relates to the exchange of information on procedures to detect illegal operations. Mexico's financial system also lacks a prosecutor, as well as specific rules to block these huge operations, and neither is it forced by law to supply information to the federal authorities on those deposits

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deemed as "suspicious" and surpassing a limit of $10 million.

Cesar Gonzalez, president of Colombia's Banking Association (Asobancaria), believes that hundreds of thousands of U.S. dollars originating from drug trafficking could well be circulating around the Mexican banking system, of which, he said, "the United States never says anything, because of strategic and political-electoral considerations that would raise questions with respect to its support to the government of Carlos Salinas, especially during the talks leading to the North American Free Trade Agreement (NAFTA)."

Annoyed because of the United States' refusal to certify Colombia as a country that cooperates in the struggle against drug trafficking, and because of the country having been classified at the same level of countries such as Iraq and Burma, the banking leader stated that no other country in Latin America has progressed so much in detecting million dollar accounts resulting from drug trafficking that are laundered through the banks.

During the international forum "Latin American Central Banks with a New Legal Structure," Cesar Gonzalez pointed out that each year Colombian banks report to the banking authorities an average of seven million "questionable" operations that merit investigation, although not all of them originate from drug-trafficking activities.

He stressed that no other country in Latin America, not even Mexico, reports to a special prosecutor for an investigation to be launched, neither has banking secrecy been eliminated, and neither are there laws and regulations requiring banks to be on the lookout for questionable accounts so that the central bank and the federal authorities can investigate this type or criminal activities.

Mexico currently has a drug supercartel that launders funds through its banks. "Most of the Mexican drug barons learned from the Colombians and their infrastructure is very intricate."

Moreover, Cesar Gonzalez pointed out, laundering funds is big business along the Mexico-U.S. border and the currency exchange houses are the most efficient mechanism for this kind of asset-laundering activity.

The president of the Banking Association of Colombia, a country where demands calling for President Ernesto Samper Pizano's resignation continue to grow with each passing day as result of his alleged involvement of drug trafficking during the presidential campaign, stressed that talking about the deterrence of money-laundering operations through Mexican banks "is like speaking Greek."

Bankers are not interested in discussing the issue and neither is the Mexican Government since "the activity is quite profitable."

Cesar Gonzalez stated that there are all sorts of legal instruments to prevent money laundering through the banks. One of these instruments is the use of a code of conduct that involves knowing the client.

The first golden rule all bankers must follow in order to prevent getting involved in illegal or drug-trafficking activities is to get to know their clients and to keep a watchful eye for any irregular trend in deposits.

Another important rule to follow is related to the report that must be presented to the authorities on deposits that surpass $10,000 or any withdrawal of a similar amount.

A third mechanism is related to training programs at all banking institutions or to all personnel involved in over-the-counter operations.

Gonzalez stated that each year the 32 banking institutions operating in Colombia report an average of 7 million questionable operations which this country's authorities have been unable to thoroughly follow-up because it lacks the infrastructure to investigate 7 million reports.

A fourth element that must be taken into consideration in the detection of money-laundering activities is related to the penal system. If there is no penalty for the crime, then no penalties will be adopted against those bank directors or even minor employees who allow it, endorse it, or even "turn a blind eye" to this type of million dollar activity.

Cesar Gonzalez stated that there is a good working relationship between the authorities and bankers despite the Colombian banking system having been singled out by the Office of the Prosecutor General on account of the money-laundering activities in the system. He insisted in that all measures against drug traffickers and their high-tech laundering mechanisms must be a joint effort between banks and the government by resorting to modern detection systems. In conclusion, Gonzalez indicated that the solution to money laundering lies in legalizing drug consumption, although he resists from openly endorsing this option because "it would entail a heresy to many sectors in the United States and Latin America, and a double heresy if it is recommended by the president of the Colombian Bankers Association."

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Mexico: Fiscal Surplus To Be Used To Aid Small Companies

PA2002172996 Mexico City LA JORNADA in Spanish 16 Feb 96

[Article by Judith Calderon and Raul Llanos — received via Internet]

[FBIS Translated Text] Carlos Abascal, president of the Employers Confederation of the Mexican Republic (Coparmex), said yesterday that the tax surplus will be used to financially rescue small companies. Abascal added that additional international loans will be sought to achieve this. He urged the Federal Government to accelerate approval of the implementation of this program, because a considerable segment of the production sector is in a critical situation.

Moreover, Hector Larios Santillan, president of the Business Coordinating Council (CCE), said that the government should make faster decisions, because by the time they are approved "they do not have the effect they were meant to have when they were fostered."

In the same context, Victor Manuel Terrones, president of the National Association of Manufacturers (Canacintra), and Carlos Sales, president of the Senate's Finance Committee, believe that "we are far from having overcome the crisis, and the economy is still vulnerable, for which reason we must identify and free those areas that are slowing down the economy." Terrones and Sales predicted "negative numbers" for the first half of the year.

During the weekly meeting of the Alliance for Economic Recovery (Apre), Hector Larios, the top representative of the private sector, said the economic recovery should be linked to the establishment of a greater number of companies and the creation of new jobs.

Larios added that to achieve this, certain necessary conditions must be met, such as complete deregulation and the will to focus all our batteries on the micro economy so that small companies may survive and develop solidly in as short a period as possible.

He pointed out that with the investment of approximately $15 billion to be made this year in large, medium-sized, and small companies, along with transnational companies, from 400,000 to 500,000 jobs will be created, although "we are still behind what we should be generating each year."

During this meeting, Carlos Abascal stated that the National Finance Bank, Inc., is working to prepare as soon as possible the financial support program for micro and small productive units.

When asked about the funds that would be required for the program to capitalize the smaller companies, Abascal noted that those resources must come from international loans and the fiscal surplus.

[LA JORNADA] When will this support system enter into force?

[Abascal] We are still working on it. I do not want to give a date, but this is an urgent matter, because many companies are experiencing a critical situation.

Regarding the sectors that need this support on a priority basis, he cited the domestic manufacturing companies, the construction industry, the restaurant businesses, domestic tourism, although "the companies that manufacture goods for domestic consumption worry us the most at this time."

Meanwhile, at the forum on economic perspectives for 1996, Senator Sales remarked that "we are far from having put the crisis behind us; the economy is still vulnerable to the turbulence that generates uncertainty and delays progress."

The outlook, he said, remains complex and difficult, and "to a large degree uncertain." Hence the actions the federal executive has pledged to undertake need to materialize so that the outlook of the national economy can improve. In his opinion, it becomes necessary to work on 16 indispensable points in order for progress to materialize. He cited among these points the successful completion of political reform and reform of the state and progress in the streamlining and reduction of the ISR [income tax] on low-income workers. Other aspects he mentioned include paying more attention to debtors of the rural, industrial, and service sectors who have not resolved their problems and cannot participate in the recovery, fostering credibility in economic policy, redefining the role of the state in the production of goods and services, creating more jobs, and increasing real salaries.

Terrones added on this point that "no doubt, we are leaving the most difficult part behind us, which is why it is advisable to recognize our economic limitations to resolve them and advance decisively in favor of the nation's economic recovery," but, nevertheless, he forecast "negative figures" during the first quarter.

To end, Carlos Noriega, coordinator of the Finance and Public Credit Secretariat advisers, said that the general lines of the current economic policy have not been weakened or set aside despite the crisis and that the strategy to give credence to the government's measures in the long term have been maintained.

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Mexico: Government Records Drop in 1995 Tax Revenues

PA2102020696 Mexico City LA JORNADA in Spanish 19 Feb 96 p 50

[Report by Juan Antonio Zuniga]

[FBIS Translated Text] A report sent by the Finance and Public Credit Secretariat (SHCP) to the Chamber of Deputies indicates that the federal government's tax revenues dropped 20.9 percent in 1995, the most drastic decrease since 1931. This drop was due to a general reduction in national economic activity and the effect on financial costs to enterprises in light of the peso's devaluation against the dollar.

The economic recession affected the five most important federal taxes equally, with each registering a reduction. This includes the value-added tax (VAT), the rate of which was increased from 10 to 15 percent in a controversial approval by the Chamber of Deputies in March last year.

The income tax (ISR), considered the "backbone" of the Mexican tax system until now, suffered a 23.5-percent reduction in actual terms. Federal authorities explained that this was a result of the economic situation in general, and the devaluation in particular, "which provoked considerable losses for enterprises that maintained their debts in foreign currency."

The report said: Fiscal modifications approved by the Congress of the Union in December 1994 and March 1995 also influenced the results. The most prominent modifications include an increase of the fiscal bonus for salaried workers; an increase (to four months) in provisional payments to enterprises with an income of up to 4 million pesos; a decrease, from 2 to 1.8 percent, in the rate for company assets; and an increase in the immediate deduction for company investments, lowering the discount rate from 5 to 3 percent.

In nominal terms, ISR collections totaled 75.2884 billion pesos, which represent 43.96 percent of the overall amount collected in 1995, meaning 171.2286 billion pesos.

The SHCP explained that funds collected through the VAT suffered a 1.4-percent drop compared to 1994 figures given a combination of two elements. On the one hand, the evolution of economic activities generated a strong reduction in sales. And, on the other hand, an increase in the general sales tax from 10 to 15 percent on 1 April "prevented the actual decrease in revenues from totaling an amount similar to the income tax revenues."

The population contributed 51.2912 billion pesos through the VAT last year. The amount represented 29.95 percent of the resources collected by the federal government through the tax system.

The tax that suffered the greatest reduction was the Special Tax on Production and Services (IEPS), with a 34.4-percent reduction in actual terms. The SHCP also outlined two factors to explain this reduction.

One factor deals with the way in which Mexican Petroleum's fiscal regime operates. A reduction in gasoline and diesel sales prices, measured in dollars, generates a decrease in the tax. This is compensated with an increase to the oil extraction right "so the organization's fiscal burden is not affected in the least."

Mexico: SHCP Releases 1995 Public Finances Results

PA1902014796 Mexico City EL FINANCIERO in Spanish 16 Feb 96 p 5

[Report by Alicia Salgado and Isabel Mayoral]

[FBIS Translated Text] The Finance and Public Credit Secretariat (SHCP) announced that during 1995, an 815-million-peso surplus was recorded in Mexico's public finances, 0.05 percent of the country's Gross Domestic Product (GDP), which in turn led to a "balanced budget." In addition, the SHCP explained that the surplus includes 15 billion pesos of the total fiscal burden anticipated for 1995 and forecasted for 1996 as part of the Agreement for Immediate Support to Bank Debtors (ADE). [as published]

In a report entitled Economic Situation, Public Finances, and Public Debt corresponding to the fourth quarter of 1995, presented before the Congress of the Union, the SHCP points out that net external debt balance amounted to $90.3161 billion, which implies a $13.4262-billion increase during 1995 or 17.5 percent.

As a percentage of GDP, the public sector's external liabilities increased from 32.7 to 36.5 percent between December 1994 and December 1995.

Likewise, the SHCP disclosed that internal liabilities had recorded a real term decrease of 47.9 percent and settled at 130.407 billion pesos, 6.9 percent of GDP. Nearly 55.913 billion new pesos in internal debt was repaid during 1995.

The increase in foreign and domestic debt, the SHCP acknowledged, came about as result of a decrease in the availability of international financing with which to overcome the financial crisis that developed because of the December 1994 devaluation and the obligation to repay $28.9485 billion in scheduled Tesobonos maturities during 1995.

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The finance secretariat explained that $26.797 billion of total financial assistance received from the United States, Canada, and the IMF was utilized during 1995. It also explained that $11.7729 billion was used by the Federal Government, while the Bank of Mexico utilized 15.0241 billion, the majority of which was used to strengthen international reserves. Of total amount of resources received in assistance during 1995, 66.1 percent was used during the first half of the year.

With respect to total net public debt (internal and external) as a percentage of GDP, the SHCP announced that this percentage had decreased from 45.8 percent recorded on December 1994, to 43.4 percent by the end of 1995.

It is worth noting that with respect to net external debts, nearly $6.3319 billion in interest was repaid during 1995.

The SHCP added that the Federal Government obtained $10.5 billion from the U.S. Financial Stabilization Program for Mexico to refinance Tesobonos, nearly 40 percent of the assigned amount, while an additional $3.9455 billion, used to provide assistance to several government export promotion and company support programs, came from other sources.

The ADE Absorbed the Fiscal Surplus

Public sector's surplus during 1995 amounted to $815 million new pesos and includes a 15 billion repayment of ADE's fiscal burden anticipated for 1995 and forecast for 1996. This amount contrasts with the 1.735 billion new pesos deficit recorded in 1994, according to the SHCP report.

It adds that by the end of 1995, public sector primary surplus amounted to 88.172 new pesos and that as relates to sectorial contribution to this result, the Federal Government contributed 67.7 percent, while the parastate sector contributed 32.3 percent.

Last year, public sector budget revenue settled at 420.440 billion new pesos. The evolution of this revenue was determined by the contraction in economic activity that took place last year, the effect of the fiscal measures approved in December 1994 and on the Action Plan to Strengthen the Agreement of Unity to Overcome the Economic Emergency (PARAUSEE). The evolution of this revenue was also determined by the fiscal measures aimed at improving company liquidity and available household income that were implemented during the second half of the year.

The SHCP added that net public sector expenditures amounted to 421.240 billion while scheduled expenditures totalled 281.266 billion, despite cuts in real term planned expenditures, as well as in the increase and reassignment of resources for social welfare activities.

In the meantime, public sector interest payments increased to 84.769 billion new pesos and includes payments to ADE planned for 1995 and forecast for 1996.

The finance secretariat pointed out that during 1995, the Federal Government adjusted its finances in accordance to guidelines stipulated in the economic program, and scheduled expenditures and interest payments in a more compatible manner based on sound financial practices. The result of this was that during 1995, the government recorded a 10.562-billion new pesos financial deficit, and a 59.714 billion surplus.

In the meantime, government revenue during 1995 amounted to 283.195 billion new pesos, a result that can be attributed to a combination between the positive evolution of the international petroleum market, less economic activity throughout the year, the cost of the fiscal reforms approved by the Congress of the Union in December 1994, as well as the measures applied as part of the PARAUSEE.

Scheduled payments amounted to 168.276 billion new pesos, which enabled the government to increase the amount of resources assigned to the education and health sectors, and improve the results obtained in the struggle against poverty.

Mexico: Official Discusses Grain Imports, Food Prices

PA1802042096 Mexico City XEW Television Network in Spanish 0400 GMT 16 Feb 96

[From the "24 Hours" newscast; passages within quotation marks recorded]

[FBIS Translated Text] Regarding the problems of food in Mexico, Francisco Labastida, agriculture, livestock, and rural development secretary, on 15 February talked to Rita Ganem from the "24 Hours" newscast. He said that Mexico will import 7 million metric tons of grain this year and explained that the best way to lower food prices is to increase production. However, there is a world and domestic shortage of food.

[Ganem] Labastida confirmed in an interview that the increase in food prices is a widespread phenomenon stemming from drought, declines in food reserves, and too much demand for products.

[Labastida, in progress] "...stemming from a major growth in demand, especially in such Asian countries as the PRC and many other countries."

[Ganem] Secretary Labastida reported that the world's wheat stock has decreased in the last 10 years from 150

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to less than 95 million metric tons, adding that this is also the case with the world's barley and rice stock.

[Labastida] "The world's supply of corn, which is a product very significant for food consumption in Mexico, fell from approximately 150 million metric tons to approximately 80 million metric tons. Something similar is happening to the world's sorghum stock."

[Ganem] The Mexican agriculture secretary maintained that these stock declines are prompting the price of grain and other foodstuffs to go up.

[Labastida] "For instance, as you can note in this graph, wheat prices went from $130 per metric ton to $190 to $200 per metric ton. Corn, which is very significant for us, as I already told you, had prices that went from approximately $100 to $145."

[Ganem] Labastida pointed out that, in Mexico, price increases have worsened due to the devaluation of the currency and food imports.

[Labastida] "The prices of certain agricultural products increased by 120 percent, as was the case with corn; by 180 percent, as was the case with wheat; by 150 percent, as was the case with sorghum; and by 112 percent, as was the case with barley."

[Ganem] The agriculture secretary attributed the shortage of livestock products, eggs, and milk to international prices and stressed that Mexico imports 10 million liters of milk annually.

[Labastida, in progress] "...unfortunately because Mexico is the world's largest importer of powdered milk; we import 40 percent of the powdered milk that is sold in the world. The prices of imported milk went from 7,000 to 18,000 pesos in a year and a half."

[Ganem] As for the eventual deregulation of prices of milk and tortillas, Labastida said that they are negotiating in order to reach a concerted solution.

[Labastida] "What I can tell you is that, regardless of the decision that could be made in this regard, the federal government will continue to implement and will boost the programs to support the least protected sectors. Regarding milk and tortillas, as you are already aware, we subsidized their supply to more than 2.3 million families throughout the country."

[Ganem] The secretary stressed that the prices of grain and foodstuffs are not expected to decrease until 1997 as a result of larger world productions.

Mexico: Brazil's Cardoso Arrives for 3-Day Visit

PA1902030396 Mexico City NOTIMEX in Spanish 0040 GMT 19 Feb 96

[FBIS Translated Text] Mexico City, 18 Feb (NOTIMEX) — President Ernesto Zedillo today welcomed his Brazilian counterpart Fernando Henrique Cardoso in Mexico City's Benito Juarez International Airport. The Brazilian president arrived with his wife and an important retinue at 1550 for a three-day visit.

Zedillo and his wife, Nilda Patricio Velasco de Zedillo, welcomed Fernando Enrique Cardoso with the full honors. At the end of the welcoming ceremony, the two leaders walked to the presidential hangar where the distinguished visitor met with the press.

"I am going to speak to you very slowly, I want to say a few words (...) I am glad to be here next to President Zedillo, to return to Mexico. It is a country that I feel as if it were my own, and I am very glad to be here, thank you," he said.

On Monday, the two presidents, will discuss topics of common interest, the most important of which is expected to be the strengthening of bilateral relations.

Cardoso will also meet with Federal District Department Chief Oscar Espinosa Villarreal, who will hand him the key of the city and declare him "distinguished guest" of this city." During his stay, the Brazilian president will decorate Zedillo with the "Cruzeiro Do Sul National Order" in the grade of Grand Collar, and in turn will receive the "Aztec Eagle Mexican Order" in the grade of Grand Collar.

On 20 February, Cardoso will meet with Mexican lawmakers and deliver a lecture to the School of Mexico on the topic of "Globalization and the New International Order." Also that day, the will again meet President Zedillo at Los Pinos presidential palace, where they will sign a joint declaration.

The Brazilian president's retinue includes Foreign Minister Luis Felipe Lampreia, Finance Minister Pedro Ampaio Malan, and Minister of Industry Dorotea Wernek.

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El Salvador

El Salvador: UN Restates Concern on Accords Compliance

PA1702001096 San Salvador EL DIARIO DE HOY in Spanish 14 Feb 96 p 2

[FBIS Translated Text] The United Nations has reiterated its "concern" about the delays in the compliance with the Peace Accords, while the former guerrillas have asked for an extension of the verification work by that world organization. Officials close to the government believe, however, progress has been made and hope to complete the process next April.

UN Under Secretary General Marrack Goulding said in New York yesterday: "There are delays on matters of public security, the reincorporation of the former fighters into society, and, most of all, land transfers."

This matter has prompted the visit by Peruvian Alvaro de Soto, UN under secretary for political affairs, who has met with President Armando Calderon Sol and representatives of the former guerrillas.

According to Salvador Sanchez Ceren, coordinator of the former guerrilla group Farabundo Marti National Liberation Front (FMLN), since de Soto's last visit, there has been "no progress" in the agenda of the accords, which put an end to 12 years of war. Therefore, he added, UN verification through Minusal [UN Mission in El Salvador] cannot end on 31 April, the date on which its withdrawal was scheduled, because it was understood the accords would have been fully abided by.

Representatives of the ruling Arena [Nationalist Republican Alliance] have considered as "premature" any talk of extending the Minusal mandate on account of the matters that will be pending when that date arrives. Deputy Juan Duch has said that "there are still some months" before the deadline expires and that advances on the pending issues are expected.

"We have been working in the Legislative Assembly to accelerate land transfers, but the FMLN does not take into consideration that there are many legal aspects that delay the transfers," Duch has said.

He has said that many properties have not been duly registered and that the procedures to transfer property are taking longer than expected because of that point.

As a matter of fact, Under Secretary Goulding has acknowledged that the problem of land transfers is serious, "because we have to hand out land in a country with a shortage of it, "but some progress has been made, and we hope the process is completed soon."

Public Security

Sanchez Ceren has said one of the pending points deals with the public security amendments. The leftist politician based his statements on the recommendations made to several National Civilian Police [PNC] agents who were not qualified to join the corps and had to enroll in the National Public Security Academy (ANSP).

He added that the Police Career Bill should have been forwarded to the Legislative Assembly for its approval, but it has not. "On public security, the recommendations by Minusal Chief Enrique Ter Horst have not been implemented yet."

PCN Director Rodrigo Avila believes that work is being made on the amendments to the PNC Charter and that the bill for the Police Career Law is in the hands of the Legislative Assembly for its approval. In his opinion, "there is no need" to extend the Minusal mandate on account of the pending details.

"I believe Minusal has fulfilled its very important mandate, because its mission has been beneficial to Salvadorans, but there is no need for it to stay over the pending details. If they wish to stay, that is another matter, and they are welcome to do so.

Avila believes that the Peace Accords have been complied with by close to 100 percent and that "the pending details are not so important."

De Soto Explains

De Soto, in turn, has declined to comment on the problems of public security, and, as for the Minusal extension, he believes it is "premature" to talk about it.

"We will do that later; it is not necessary to make a decision. The only thing I can assure you is that the United Nations has carried out its verification responsibilities," the diplomat said before returning to New York yesterday noon.

De Soto, who considered the Higher Public Security Council would be of use to the government, declined to comment on the difficulties on this area.

"I prefer not to rebuke the public security minister in front of the press because of the difficulties, because I know the commitment, wish, as well as an excellent mechanism exist to resolve them," he said before departing El Salvador at the Comalapa International Airport.

De Soto affirmed that he trusted the Legislative Assembly will "clear" certain pending topics regarding compliance with the Peace Accords that make it obligatory to amend the Constitution.

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The visits by the UN under secretary for political affairs to El Salvador was to verify that compliance with the Peace Accords will continue.

He Promised to Return in Late March

For the FMLN, Minusal's withdrawal will mean the government has implemented the Peace Accords, something which is not true.

Even though Minusal may leave, the United Nations will continue its verification regardless of the mechanism that may be employed. "The important thing is that the United Nations is committed to perform its verification task, and it will do so," de Soto affirmed. The FMLN also believes the ratification of the constitutional amendments is also pending, while the transfers of properties and productive social structures regarding human settlements, one of the thorniest issues of the Peace Accords, have not been started yet. FMLN Deputy Marta Valladares has said de Soto is evaluating the current state of the accords and the real possibilities that all the programmed aspects would have been complied with; otherwise, the United Nations is responsible for seeking an adequate mechanism to complete the verification up to the last, pending accord.

"If the government so wanted, everything that has been programmed could be worked out by 31 April," she has said. According to the deputy, the FMLN has engaged in many actions with several state institutions and the international assistance organizations involved in the peace process to accelerate compliance with the accords.

El Salvador: President Against Extension of UN Deadline

PA1902143596 San Salvador LA PRENSA GRAFICA in Spanish 16 Feb 96 p A45

[Report by Victor Pino]

[FBIS Translated Text] President Armando Calderon Sol said yesterday he is against extending the 30 April dateline for the small Minusal [UN Mission in El Salvador] office to remain in the country, because this date is the one scheduled for full compliance with the peace accords, but Human Rights Ombudsman Victoria Marina de Aviles has a different opinion.

The FMLN [Farabundo Marti National Liberation Front] leaders have proposed the extension of Minusal's mandate to Alvaro de Soto, the political affairs deputy secretary of the United Nations, who visited the country this week to evaluate the peace process. The FMLN contends that Minusal's surveillance is necessary until all the pending commitments have been fulfilled.

Calderno Sol has accused the FMLN leaders of not having a true will to comply with the peace accords, because they are asking for the extension of Minusal's mandate.

FMLN leaders this week requested that Minusal be allowed to continue its surveillance after 30 April, due to the delays in the compliance with the agreements.

Calderon Sol said before leaving for the Central America-Mexico presidential summit being held in Costa Rica: "It is premature to say it will be necessary to extend the dateline. I believe what has to be done is to totally and fully comply with the agreements."

The human rights ombudsman believes, however, the UN presence will be necessary while advances are made to comply with the commitments.

"I believe our national institutions should accept the responsibility of resolving our own problems with our own recourses and institutions, but we have to be realists. I do not believe we are ready yet to work without international supervision," she has said.

Calderon Sol believes, however, "it is too premature to start assessing whether it is necessary for it (Minusal) to continue when we are working and expecting to conclude before 30 April."

The ombudsman believes the presence of the organization must be extended "for some more time" and until the agreements have been fully complied with.

Minusal, which is in charge of following up on and observing the compliance with the peace process, has a small presence in the country and concludes its mandate on 30 April, the same date on which the schedule to implement the commitments is to end.

FMLN Secretary Salvador Sanchez Ceren has said he had proposed to UN envoy Alvaro de Soto that Minusal's presence be extended until the programs are totally implemented.

The commitments still pending are the programs to transfer land to the demobilized combatants and the relocation of combatants in rural settlements, as well as the observance of the recommendations and conclusions the Truth Commission and the Joint Group have presented.

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El Salvador: Arena Official on Payment of Foreign Debt

PA1902175696 San Salvador LA PRENSA GRAFICA in Spanish 15 Feb 96 p A3

[Report by Bernardo Valiente]

[FBIS Translated Text] In light of the assertion made by opposition deputies who have demanded the government gauge the speed with which debts are increasing, Salvador Rosales, Arena [Nationalist Republican Alliance] deputy, has said that El Salvador has the capability to make payments and that "it would do wrong if it does not take advantage of the soft-term loans international organizations offer."

According to Rosales, "we are the country that has the highest economic growth rate in Central America and the country with the second lowest foreign debt in Latin America. In addition, the loans El Salvador obtains have soft terms of up to 40 years, less than 1 percent of the annual interest rate, and grace periods of up to five years."

The Democratic Party disagrees with this opinion, and according to Deputy Juan Ramon Medrano, it is not the same to have macroeconomic figures on a low inflation rate if these economic growth figures do not translate into less poverty, lower unemployment rates, and the lack of access to health services. [sentence as published] "We must differentiate between the country's gross revenues and their distribution, because no one is ignoring that the country is facing a gigantic social debt," Medrano has said.

In December 1995, the Legislative Assembly approved a 600 million colon loan for the education sector. In late January, it also approved another 2 million colon loan for roads maintenance and a 23 million colon loan to acquire materials to repair the turbines of the "Cerron Grande" hydroelectric plant.

Last week, the assembly also voted for the 144 million colon loan to improve competitiveness and allocated 145 million colones to support the return to civilian life of the demobilized people the armed conflict has adversely affected.

All the aforementioned approved loans add to approximately 3 billion colones so far in the year. The 2 million colon loan for the CEL [Lempa River Hydroelectric Executive Commission] for the Central American electrical interconnection is under discussion, as well as a 16 million colon loan to finance preparations of the plan to modernize the public sector.

Norma Guevara, FMLN [Farabundo Marti National Liberation Front] deputy, has said that other loans, such as the one allocated to the modernization efforts, have been rejected, because the government is refusing to discuss the privatization plan. She has recalled that 18 percent of the national budget is allocated to paying the foreign debt, adding that this percentage will be higher in the next few years if this race to get ourselves more indebted continues.

The Renewal Party has stated that it supports investment and social development loans and that its concern regards the lack of control on these loans, because they could be well to pursue political objectives.

Arena has rejected these statements, however. Rosales has said the opposition could request information and would realize that for many of them, the international organizations are requesting that they be invested in social development, education, or the environment instead of being paid back in cash.

El Salvador: Business Group on Higher Production Costs

PA1602184896 San Salvador LA PRENSA GRAFICA in Spanish 10 Feb 96 p 10a

[Article by Jose Luis Henriquez]

[FBIS Translated Text] The Salvadoran Chamber of Commerce and Industry is worried about the government monetary and financial program, because the loan schedule forebodes a shortage of resources for productive sectors, thus raising operation costs.

The Central Reserve Bank (BCR) established the credit expansion rate for the private sector in the monetary program at 18.5 percent. The credit was expanded to 32 percent in 1995.

According to Ricardo Siman, president of the Chamber of Commerce and Industry, the monetary plan is positive because it is a stabilization program. He added that they are worried because a shortage of resources puts pressure on the interest rates, and, consequently, loans become costly.

Siman said that when the interest rates increase, then the production costs for businessmen increase, and the opportunities to secure loans for investment are diminished.

Nevertheless, he added: "The BCR has taken the necessary steps to grant better loans for investment through the Multisectorial Investment Bank (BMI), which could contribute in the promotion of more business activities."

The BMI, for the time being, has frozen new applications for loans by the construction, transportation, trade,

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and service sectors. These applications will be processed in March.

Siman noted the country has excellent macroeconomic conditions, which could have positive effects on the population if inflation or other problems were absent.

Notwithstanding, he added, some inflationary problems are the result of the influence other countries' economic difficulties have on our daily economic situation.

For example, the rise in wheat prices is not the fault of the government or businessmen, but the result of fluctuations in the international price of wheat, Siman noted.

Mario Magana, technical manager of the Chamber of Commerce, has said on previous occasions that businessmen expected to meet the inflation goal of 8 percent, because that would be a key factor to attain economic stability and to promote domestic savings and levels of investment.

El Salvador: Land Distribution Among Peace Accords

PA2002001096 San Salvador LA PRENSA GRAFICA in Spanish 15 Feb 96 p 18A

[Report by Victor Pino]

[FBIS Translated Text] Several sources said yesterday that the transfer of land to demobilized combatants, the rural settlements, and a package of legal reforms continue to be the main commitments of the Peace Accords still pending fulfillment.

Arguing delays in the fulfillment of the commitments, FMLN [Farabundo Marti National Liberation] leaders have asked Alvaro De Soto, UN under secretary for political affairs, to extend the Minusal [UN Mission in El Salvador]. This view is not shared by Juan Duch Martinez, leader of the ARENA [Nationalist Republican Alliance] bloc in the Legislative Assembly.

De Soto visited El Salvador to evaluate the peace process and met with senior government officials, President Armando Calderon Sol, and FMLN politicians.

He said he was satisfied, but mentioned that some programs involving the reincorporation of former combatants into civilian life are moving slowly. He also disclosed the establishment of a mechanism to expedite the approval of constitutional reforms.

He alluded to the distribution of land to demobilized combatants. In December, more than 85 percent of this commitment had been fulfilled, benefiting 30,843 people at a cost 787.3 million colones. Approximately 120,811 manzanas of land have been distributed.

From two to seven manzanas are distributed per person, depending on the quality of the land. The individual has financing of up to 30,000 colones available. He can also obtain an agricultural credit for up to 15,080 colones.

According to government authorities, the land transfer program is experiencing legal problems involving the ownership of the land and its registration. The rural human settlements present a similar situation.

The settlements are communities located in three departments. They are inhabited by refugees and people displaced by the conflict.

The program consists of the transfer of land as well as the housing, productive, and social infrastructure built in recent years to the inhabitants.

According to the National Reconstruction Secretariat (SRN), the main obstacles to the settlements are the problems involving land ownership and the high prices the owners are asking.

The FMLN leaders believe the peace process has advanced but some commitments important for the future of the democratic institutions are still pending. These institutions include the National Judiciary Council, the Supreme Electoral Tribunal, and the Supreme Court of Justice.

The pending legal issues include the approval of a package of constitutional reforms, many of which were recommended in the reports of the Truth Commission and the Joint Commission.

Guatemala

Guatemala: President on Media, Public Prosecutor's Office

PA1602194196 Guatemala City Televisiete Television in Spanish 1900 GMT 15 Feb 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] President Alvaro Arzu Irigoyen today lashed out at the media and the Public Prosecutor's Office, accusing them of distorting information on the incident that took place in Antigua Guatemala, where a humble milkman died. The government described this incident as an attempt to assassinate an important person, while the Office of the Ombudsman for Human Rights and the Attorney General's Office described it as murder.

[Unidentified reporter] Guatemalan President Arzu today accused the media and the Attorney General's Office of unduly distorting the information on the foiled attack to which he was subjected on 1 February in the

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colonial city of Antigua Guatemala, where the only person involved died. The manner in which this incident was distorted is an outrage; five days later, the aggressor became the victim, and the victims, we, became the aggressors, Arzu said minutes before leaving for San Jose, Costa Rica, to participate in the Tuxtla II Presidential Summit.

Ronald Ochaeta, Archbishop's Human Rights Office [ODHA] director, yesterday rejected the official report on the incident in which a president's escort shot dead 26-year-old peasant Pedro Sas [words indistinct] as the perpetrator of the foiled attempt to assassinate an important person. Following an investigation, the ODHA reached the conclusion that Sas was unarmed and drunk and had no possibilities of committing the attack. He was killed by Sargent Jose Villanueva, who is a member of the Presidential Staff in charge of Arzu's security. The Attorney General's Office, based on the current laws, has classified Sas' death as an illegal execution. However, Arzu insisted that he was the victim of an attack.

The president, who took over the presidency on 14 January, predicted that it would not be odd if upon his return from Costa Rica, he is sent before the firing squad for this incident. In his brief statements, he regretted that barely one day after the change of government, when he did not even know the presidential office, the media started attacking him.

[Begin Arzu recording] The truth is that it is an outrage the manner in which this unfortunate incident was distorted; in five days, the aggressor became the victim, and the victims, we, became the aggressors. It would not surprise us, if upon our return to the country, my wife and I, find ourselves facing a firing squad. [end recording]

Guatemala: New Mexican Naval Base To Be Established

PA1602233296 Guatemala City PRENSA LIBRE in Spanish 14 Feb 96 p 5

[FBIS Translated Text] Francisco J. Hernandez Samano, press attache of the Mexican Embassy, announced yesterday that a new Mexican Navy base will be established between the states of Chiapas and Oaxaca, approximately 250 km from the common border between Guatemala and Mexico. This confirms that Mexico is not setting up a barrier to stop the entry of illegals as had been speculated. Hernandez Samano said, however, the objective of the military installation is to control the trafficking of drugs and weapons.

There had been rumors the past few days about the presence of Mexican troops in the border area with Guatemala, particularly in the regions of Chiapas and Tabasco. People have speculated that the Aztec government wanted to set up a military barrier in the border area to stop the passage of illegal aliens. The barrier would be similar to the one the U.S. Government is establishing along its border with Mexico, where a concrete wall runs through the entire border division.

Those reports have triggered the reaction of the Guatemalan Foreign Ministry. Minister Eduardo Stein Barillas has told the local press that President Alvaro Arzu Irigoyen will ask his Mexican colleague, Ernesto Zedillo, for an explanation of this measure during their next meeting. Stein Barillas has said the measure had been unilateral and unexpected.

It has been known that the Guatemalan protest has sparked the transfer of Mexican Ambassador Guillermo Cosio Vidaurri, who will leave the country next week.

Hernandez Samano has denied this report, however, and has said Cosio's transfer was routine and followed regular Mexican Government procedures. He has said the new mission chief, Salvador Arriola, will arrive shortly. Arriola is a former Latin American Economic System, Sela, secretary.

Guatemala: External Debt Reaches 13 Billion Quetzals

PA2002194896 Guatemala City PRENSA LIBRE in Spanish 19 Feb 96 p 122

[FBIS Translated Text] The foreign debt balance to December amounted to $2.107 billion (12.958 billion quetzals) of which $330.3 million (2,338,845 quetzals) apply to the Bank of Guatemala, Banguat, and $1.7267 billion (10.6192 billion quetzals) to the government.

Of these amounts, multilateral organizations are expecting amortizations for $129.5 million (796.425 million quetzals) from the Central Bank of Guatemala and $938.7 million (5.773 billion quetzals) from the public sector. Meanwhile, Banguat must pay bilateral organizations and governments $120.7 million (742.3 million quetzals) and the Guatemalan state $518.7 million (3.19 billion quetzals).

The Central Bank of Guatemala owes private banks $46.5 million (285.975 million quetzals) and the government $269.3 million (1.6562 billion quetzals). Banguat has commitments with other creditors amounting to $83.6 million (514.14 million quetzals).

Notwithstanding these figures, the global balance has decreased since 31 December 1990 when Banguat had pending accounts amounting to $916 million and the government $1.571 billion, for a total of $2.4879

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billion (15,300,585 quetzals, at the current exchange rate). Nevertheless, only the Central Bank of Guatemala shows a constant reduction, while the rest of the public sector tends to increase its financial obligations.

On the other hand, according to short-term indicators for monetary and the external sector's main variables up to 8 February, these show that currency in circulation has been reduced by 233.2 million quetzals compared to the same date last year. Currency in circulation is 3.7145 billion quetzals, while last year it was 4.016 billion. The cash balance in banks and finance firms reached 511.3 million quetzals, but in 1995 it amounted to 433 million quetzals. This accounts for the aforementioned reduction.

Regarding the **accumulated inflation** (general increase in prices since 31 December), it settled at 1.53 percent, while **the inflationary rhythm** registered a 0.47 percent increase and settled at 10.23 percent compared to the previous week.

The measured average interest rates settled at 24.14 percent and the rate for fixed deposits dropped to 13.59 percent. The nominal (active) rate reached 31.5 percent. The banking market reference **exchange rate** settled at 6.14 quetzals to the dollar to purchase and 6.16 quetzals to sell, even though the average rate for today is 6.1526 quetzals (purchase) and 6.17013 quetzals (sale).

Regarding **international monetary reserves**, there was a slight reduction to $729.9 million (4,488,850,000 quetzals) overall and $661.3 million (4.067 billion quetzals) net. The **availability of foreign currency**, that is, the level of external liquidity, settled at $499.4 million (3.0713 billion quetzals).

Last, the **trade balance** continues to show a surplus. Income surpassed expenditures by $36.4 million (223.86 million quetzals), amounting to $716.0354 million (4,403,617,710 quetzals) and $679.6565 million (4,179,887,475 quetzals) respectively.

Guatemala: Army, Security Forces To Combat Crime

PA1902193596 Guatemala City Teleonce Television in Spanish 0100 GMT 16 Feb 96

[From the "Telepress Newscast"]

[FBIS Translated Text] Once again, the Army will cooperate with civilian security forces to combat crime as it did during the last weeks of the Presidency of former President Ramiro De Leon Carpio.

President Alvaro Arzu today disclosed his decision to reestablish a joint, police-military action against the current wave of violence:

[Begin recording] [Arzu] We have said from the beginning we would seek the consolidation of the security forces under one command as soon as possible to strengthen the control of common crime; that is what we have done. For example, today you see soldiers directing traffic in the capital city. Joint investigations are being conducted. We are going to use all our resources to provide the security the public needs in order to optimize maximum control by the security forces of the city and the interior.

[Unidentified reporter] [Words indistinct].

[Arzu] No, they are different. There is coordination under one command in this zone.

[Reporter] Do you have the names of the military officers who are going to be part of the peace commission?

[Arzu] Not yet. We are considering certain names. The peace issue is another matter. Remember how much we were criticized this month for not having a strategy. Before the elections, we had managed to extricate the peace talks. We have achieved enormous advances in the peace talks on the issue of confidence, reaching a lasting agreement as soon as possible regarding the signing of peace, and, above all, complying with the peace agreements, which is what interests me the most.

[Reporter] [Words indistinct] your trip to Mexico [words indistinct].

[Arzu] Undoubtedly. That is the one issue I am going to deal with, although it may not be one of the most important ones. On my trip, I will try to open markets in the exterior, something which interests me the most, so there will be more production and more jobs for Guatemalans in our country.

[Reporter] [Words indistinct]

[Arzu] That has already been established. We are waiting for the final document and will reveal it to you immediately. [end recording]

Guatemala: Proposal To Create Indian Affairs Ministry

PA1702002496 Guatemala City PRENSA LIBRE in Spanish 14 Feb 96 p 4

[FBIS Translated Text] Deputy Jose Antonio Mobil Belteton, bloc leader of the Guatemala Democratic Front, FDNG, announced to the legislature at 1300 yesterday that President Alvaro Arzu Irigoyen had accepted the proposal presented by FDNG deputies to create the Indian Affairs Ministry instead of the Indian Affairs Secretariat.

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The deputy gave statements to the press when he returned to Congress after the deputies met with the president at the Presidential House.

The president accepted the FDNG proposal and immediately suggested that a commission be established to make contact with all the Maya Indian organizations, Mobil added.

The absence of the FDNG bloc triggered various comments at the Legislative Palace, especially after it was reported that the FDNG deputies had gone to a meeting with the president of the Republic.

We requested the meeting and talked about several issues, such as the peace negotiations, democracy, impunity, violence, and the topic I consider most important—the creation of the ministry, he said.

According to the congressman, dealing with Indian issues at a ministry level will allow them to be handled differently, and a myth will be broken at the international level, something which in practice will mean the problems of the Maya Indians will be resolved. [sentence as published]

The six FDNG deputies, Mobile Belteton, Nineth Montenegro, Carlos Barrios, Rosalina Tuyuc, Manuela Alvarado, and Amilcar Mendez, attended the meeting with Arzu, which lasted approximately one hour.

Guatemala: Arzu Defines Government Priorities

96CA0116A Guatemala City CRONICA in Spanish 19 Jan 96 pp 21-22

[Article by E. Blanck and H. Shetemul: "Arzu Defines His Priorities"]

[FBIS Translated Text] The National Vanguard Party (PAN) has come to power and the main objective of its leader, Alvaro Arzu Irigoyen, who is now the nation's president, is that this fact should be strikingly obvious. He has, therefore, made it known from the beginning—in formal statements and implicitly—what his priorities will be. They will depend on decentralizing and modernizing the government, while at the same time building an economy that promotes the creation of jobs and a more effective fiscal system. In their first actions, PAN members have also tried to mark differences with the previous administration and issued messages concerning a stronger civil line. An observation is also in order concerning the first announcements of austerity: They are the result, not just of the political situation, but of financial realities as well: The new administration found very little money in the till.

Government Streamlining

The two key words for the party in government in terms of setting the executive branch in motion are: management approach. However, aside from the skills that the new cabinet ministers succeed in developing along these lines, Arzu's government hopes to lay the foundations for reforming and modernizing the government via legal modifications. To do so, it will undeniably need the support of its "yellow steamroller" in Congress. The first sessions of the new legislative body will most likely pass reforms of laws governing the executive branch, departmental government, on responsibility and probity, the comptrollership, and the Organic Law Governing Civilian Law Enforcement Agencies. Consideration is also being given to measures that would decentralize public administration, including one that would move most ministries out of the National Palace.

With respect to economic and fiscal challenges such as the creation of productive jobs and continuation of the administrative reform of the Ministry of Finance, the PANists will have to move more slowly because situational problems have caught up with them. Finance Minister Alejandro Arevalo reported that when he took office, he found only 24 million quetzals to cover the various expenses he would incur. It will, therefore, be necessary to continue to remedy the breach in the cash flow by marketing securities. He would otherwise not even have sufficient funds to pay government workers for January! Referring to procedures for managing monetary affairs, the minister observes that "we cannot throw away in 12 months a dam it has taken 15 years to build." However, he does express his determination to replace gradually the procedures, which many deem obsolete. The official also admits that it will be essential for Congress to control spending and reform taxation. "The 1994 fiscal reform was the product of confrontation rather than of a consensus. That is why the best alternatives were not found," he observes. Reports from the private sector state that businessmen are willing to cooperate with the government because they trust Arevalo.

No Shrinkage

With respect to the relationship shaping up between Arzu's administration and the Armed Forces, an issue of interest at home and abroad, PAN has made its positions obvious. It will continue the line followed by the previous government in terms of the reorganization—not reduction—in the military and send a message about "pruning" the ranks. In a speech delivered after taking office as the new minister of defense, General Julio Balconi made similar hints. No spectacular measures are

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being considered. Rather, what is being contemplated is the need to pass reforms of the Army Code, including one stipulating that members would retire from the institution after 30 years of service.

In other words, what this administration has subtly indicated from the very outset is its desire not to be labeled as subordinate to military authority. Even before the presidential oath was administered, the fact that Arzu rejected security provided by the Presidential Staff (EMP) before taking office caused speculation. It was thought the act marked a break between the president and the corps. Not so, however, for once installed in office, the chief of state never considered dispensing with the EMP's services. What Arzu did do was break with a pattern, naming as chief of the EMP General Marco Tulio Espinoza, a member of the Guatemalan Air Force (FAG), a sector traditionally excluded from top-ranking military posts. At the same time, he has reportedly placed special emphasis on the appointment of his secretaries, who face the challenge of performing tasks formerly handled by the EMP. Those now closest to the president will be Gustavo Porras, Emilio Saca, Hector Cifuentes, and Ricardo de la Torre, respectively private, executive, general, and public relations secretaries. Military analysts believe the changes in the EMP could improve the image of the Army itself and of the PAN also, inasmuch as the party suffered great erosion during the administration of Ramiro de Leon.

Another measure reportedly under discussion is the use of military facilities for other government offices. Among the latter will be the residence of the minister of defense, also known as the "Casa Crema," and the old Polytechnical School. Sources close to the PAN say the president even considered living in the Casa Crema. He discarded the possibility even before his inauguration. Whatever the case, the residence will no longer be used by Minister Balconi.

Urgent Matters

Nevertheless, the country faces so many demands that the PANists, who had considered implementing their plans as soon as they were in office, have had to wait to take care of urgent matters. The first cabinet meeting was devoted solely to hearing reports on the status of the ministries and seeking solutions to the problem of workers' wage demands and the propane gas shortage. With respect to health and education workers, the precarious condition of the treasury is forcing the chief executive to ask government workers to mark time. In the area of health, those responsible for driving the dialogue will be the hospital directors, and in education, the ministry will handle the work. In addition, the problem posed by the shortage of propane gas has been resolved for the time being. Distributors have been promised back payment for subsidies, and they have in turn agreed to supply the market immediately.

Nevertheless, long-term solutions must still be found. If a price increase is to be avoided for the product, the government will have to earmark 10 million quetzals a month for the subsidy, compared with the 7 million it previously paid. The new minister of energy and mining, Leonel Lopez Rodas, has discovered that he cannot use the resources of the Compensatory Fund because the 4 million quetzals paid into it are used to subsidize urban transport.

In the end, step by step, the government has in fact defined its priorities. It has informed itself about the real "state of the cabinet ministries" and is preparing to take on the most urgent problems. Without a doubt, the pig-headedness that some politicians attribute to PAN leaders will be essential if the latter are to achieve their goals!

Honduras

Honduras: President Views Choice of Defense Minister

PA1702020396 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 14 Feb 96

[From the "Morning Paper" newscast — passages within quotation marks are recorded]

[FBIS Translated Excerpt] Following the policy that has characterized President Carlos Roberto Reina regarding his making his own decisions and seriously believing that he is the Honduran Armed Forces commander general, recall that he has appointed a civilian in Hondutel [Honduran Telecommunications Enterprise] and another civilian in the Immigration General Directorate. Responding to why he did not choose the defense minister from the three candidate list the military institution has presented to him, he now has said subordinates cannot force him as commander general.

The president has also responded to the National Party and has told it not to worry, that he is not interested in choosing its candidate, as politician Mario Rivera Lopez has claimed. Moreover, President Reina is amazed that National Party members are alleging a lack of definition in the case of Roberto Martinez Lozano.

Let us listen to his statements, but it is important to explain the following: The military has submitted to President Reina a three candidate list, but he has said he was not convinced by any of the three candidates and proceeded to appoint a person he considered to be

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better for the post. Because he is in charge of the Armed Forces, he has appointed Jose Luis Nunez Bennett, leaving Jose Francisco Bustillo Murcia, who was Mario Hung Pacheco's candidate, waiting.

Nunez is the new defense minister, whether they like it. According to what the president has said, he is the one in charge. [passage omitted]

[Reporter Romulo Matamoros] President Reina was asked why he did not respect the Armed Forces' three candidate list from which to select the new defense minister, who is now Nunez Bennett:

[Reina] "Where is the regulation demanding that the president respect three candidate lists? The president is the Armed Forces commander general. Highly qualified people have been chosen, as everybody has agreed. Subordinates cannot force the president. The secretary of state is the secretary of state of the president of the Republic.

This country has experienced major confusions. Alvaro Romero is in charge of my security and that of my family. I am very pleased with him, so there has been nothing [words indistinct]."

[Matamoros] Prior to this decision, the president has said there were talks with the Armed Forces chief, but they did not favor the nation's interests:

[Reina] "There was something I respected, but it did not correspond to the levels of decision in the Republic."

[Matamoros] President Reina was asked whether certain Armed Forces members disagree with this decision:

[Reina] "I do not think so. I do not think so."

[Unidentified reporter] "Why [words indistinct]."

[Reina] "Absolutely. I maintain the best relations with General Hung, and I believe him to be a man who respects the laws a great deal."

[Tegucigalpa LA TRIBUNA in Spanish on 14 February on page 9 adds in a 200—word report that Armed Forces Chief General Hung has confirmed that Colonel Bustillo was the officer he had proposed to head the Defense Ministry but that he respects President Reina's decision to appoint Nunez to the post. The report adds that Hung has said: "That is the prerogative of the president of the Republic and the Armed Forces commander general. We are his subordinates." He then added that this decision "does not adversely affect in any way whatsoever relations between the institution and the president."]

Honduras: President on Absence of New Defense Minister

PA1902032896 San Pedro Sula TIEMPO in Spanish 16 Feb 96 p 5

[Report by Daniel Serrano]

[FBIS Translated Text] Tegucigalpa — Honduran President Carlos Roberto Reina described yesterday's event as "unbelievable." He said there had been a lack of communication and that is why Colonel Jose Luis Nunez Bennet had not gone to the Government House on Wednesday to be sworn in as defense minister.

"Events that are unbelievable occur in a country's history. No one contacted Col. Nunez Bennet. We all assumed he already knew," the president stated just before leaving for San Jose, Costa Rica to participate in the Central America-Mexico summit called Tuxtla Gutierrez II.

President Reina was accompanied by the First Lady Bessie Watson de Reina, National Congress Vice President Jorge Arturo Reina; Economic Cabinet Coordinator Guillermo Bueso; and Economy Minister Fernando Garcia, among others.

Before leaving, the president explained that when he advanced the date of his departure to San Jose, there had been a "slip-up" in advising Nunez Bennet of his swearing in ceremony.

"Nunez Bennet has always being willing to accept the responsibilities given to him by the government. I am very happy that a person with so many qualities is the one that replaces a great minister," he commented.

"The incident encouraged speculations. I myself did not know how to view it because it was unbelievable that he did not know the place and the hour," the president added.

President Reina denied that he has any differences with Armed Forces Commander General Mario Hung Pacheco.

Regarding the confirmation of General Alvaro Romero, who belongs to the sixth graduation class, as chief of the Presidential Command Staff, the president said this problem had been resolved.

"What we had is a custom that an officer of greater seniority cannot be subordinate to one with less seniority. However, if the people accept this and act with discipline, this custom has to be flexible and that is how it has been overcome," he observed.

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Nicaragua

Nicaragua: D. Ortega Returns After Medical in Cuba

PA1902033796 Panama City ACAN in Spanish 1558 GMT 17 Feb 96

[FBIS Translated Text] Managua, 17 Feb (ACAN-EFE) — Former Nicaraguan President Daniel Ortega returned from Havana (Cuba) last night. A Sandinist National Liberation Front (FSLN) source reported today, Saturday, that Ortega travelled to that country to undergo a routine medical check-up last January.

During the latter part of 1994, FSLN Secretary General Ortega was participating in the International Solidarity Encounter in Cuba and had to be interned in a Havana hospital where physicians diagnosed he had suffered an infarct of the myocardium three years earlier.

A FSLN spokesperson told ACAN-EFE that "Commander" Ortega returned last night to participate in the party's "popular consultation" on Sunday. At this event, FSLN party members will elect their candidates to the posts of deputy, mayor, deputy mayor, and municipal officials in the general elections to be held on 20 October 1996.

Daniel Ortega, who received an ozonotherapy treatment (blood purification to reactivate the areas affected by the infarct), is one of the three FSLN presidential hopefuls.

The Sandinist presidential ticket will be chosen during a regular FSLN congress scheduled to be held next May.

Nicaragua: Nation Seeks Proposals for Transport System

PA1602234096 Panama City ACAN in Spanish 1844 GMT 14 Feb 96

[FBIS Translated Text] Managua, 14 Feb (ACAN-EFE) — The Nicaraguan Government today, Wednesday, invited local and foreign investors to submit proposals on the construction of "any modern, interoceanic transportation system" in this country.

The government of Violeta Chamorro voiced its interest in supporting the construction and operation of "a modern, interoceanic transportation system" that will be viable in the short term.

Claudio Gutierrez, head of the Ministry of the Environment and Natural Resources (Marena), read a statement from the joint commission formed by the executive and legislative branches created six months ago to deal with interoceanic transportation in Nicaragua.

The proposals, according to the statement, must ensure "full respect for national sovereignty and territorial integrity." They must also be "compatible with the sustained development model that will guarantee environmental quality and the rational use of natural resources." In addition, they must guarantee the "effective participation of Nicaraguan professionals, technicians, workers, and firms."

The two state branches also voiced their "full willingness to promote the necessary phases to move forward with this initiative, including the drafting of the corresponding legal framework." In this regard, the parliamentarian commission stated it was possible to draft, debate, and approve this year a number of laws on interoceanic transportation in Nicaragua. The only international consortium so far that has expressed interest in carrying out a work of this magnitude is the "Nicaraguan Interoceanic Canal" (CINN), the representatives with whom the Nicaraguan Government will continue the negotiations that started in March 1995.

German, Belgian, British, Netherlands, Hong Kong, and Japanese firms form this consortium. It is planning to build an interoceanic "dry canal" that would cross the Isthmus of Rivas, located along the border with Costa Rica and which would include a terminal port at Monkey Point, located on the southern Caribbean Coast of Nicaragua, and another one in La Virgen Morena, on the Pacific coast. The two terminal ports would be linked by a 400 km long train system of several tracks, over which a high-speed train would run, making the trip in three hours.

According to government sources, the construction of this work needs estimated investments of $1;3 billion to $1.5 billion. Construction and Transportation Minister Pablo Vigil has recognized that so far there are no feasibility studies on interoceanic transportation in this Central American country.

Nicaragua: Nation To Construct Interoceanic Canal

PA1802184696 Managua EL NUEVO DIARIO in Spanish 15 Feb 96 pp 1, 8

[Report by Oscar Merlo]

[FBIS Translated Text] The government and the National Assembly made a surprise announcement yesterday on their decision to promote and support the construction — in the short term — of an interoceanic canal that will make multinational transportation possible between the Atlantic and Pacific Oceans.

A foreign consortium called the Nicaraguan Interoceanic Canal Company [Compania Canal Interoceanico de Nicaragua] (CCIN) last year revived an interest in constructing a route that will solve the rising problems of world transportation, whose growth has made the

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Panama Canal obsolete. The government and the CCIN have held many meetings allegedly trying to reach some sort of agreement. However, everything seems to indicate that a decision has been made to study other proposals.

Several Foreign Economic Groups Are Interested

It was reported that several foreign economic groups are interested in constructing a canal across Nicaragua, including the Japanese, who made a proposal to the Sandinist government during the eighties.

For the past six months, a joint commission of the legislative and executive branches has been studying the feasibility of an interoceanic transportation system that would cut across the national territory. Yesterday, they made their first statement, which was immediately disseminated in English and Spanish via Internet.

The document will also be sent to the embassies and friendly international institutions so they will help publicize it.

During a meeting with reporters at the auditorium of the Construction and Transportation Ministry, MCT, its minister, Pablo Vigil, his Marena [Ministry of Environment and Natural Resources] colleagues, and Minex [Foreign Ministry] representatives announced jointly with deputies from various committees, that a law regulating everything pertaining to the cherished canal will probably be ready this year.

Rules of the Game

Vigil emphasized that the government will negotiate with the consortium that makes the best offer, be it a dry or water canal, as long as certain conditions are met.

The following conditions are required at the moment: total respect for our national sovereignty and territorial integrity and compatibility with the sustainable development model, which guarantees an environmental quality and the rational use of natural resources. In addition, there should be an adequate participation of professionals, technicians, laborers, and Nicaraguan companies. Vigil said that the idea is to have the major socio-economic benefits remaining in the country.

As was proposed during the preliminary talks with the CCIN, a 50- year concession to run the international route will be granted, after which time it will revert to the nation.

Many "Gaps" in the Project

There was the impression among the reporters who were present for the important announcement that the executive and the legislative branches had rushed things a bit, since there are still many "gaps" in the project, which officials and deputies said will be filled as the corresponding laws are made.

It was made clear that it will be impossible to "strike a deal" or reach an agreement with anybody on the construction of the canal on this election year. But progress will be made by holding talks with the nation's different sectors. Vigil explained that bids are not being solicited, but they are opening up for discussion a proposal that will allow the legal base for future bidders to be set.

Will We Come Out of Poverty?

Asked about what the interoceanic canal will mean for Nicaragua, Vigil indicated that it would give us new levels of growth. In addition to this route, Vigil said that world financial centers, free zones, and productive-area investments could all become established here. "This would improve and elevate the quality of life for Nicaraguans. It is, therefore, vital for our nation to have one or several routes," Vigil reiterated.

Vigil believes this to be the right time to look for investments that the country needs now that we have shown signs of political and economic stability.

Nicaragua: Radio Marti Transferred to Managua

PA1602203596 Managua Radio Sandino in Spanish 1200 GMT 15 Feb 96

[From the "What's Happening?" newscast]

[FBIS Translated Text] In a Somozist-CIA joint venture, journalist Nicolas Lopez Valdez is working to transfer Radio Marti From Miami, Florida to Managua to be able to continue his attacks against the Cuban Government. The transfer of Radio Marti to Managua, which will cost several million dollars, would turn Nicaragua into an aggressor of the Cuban people and would violate the principles of nonintervention in the internal affairs of another country.

Reliable sources have reported that they expect to have the 60-kw Radio Marti station transferred and broadcasting by next May. Also, the U.S. CIA plans to install a television station which will broadcast its signal to Cuba from the same location.

Nicaragua: BARRICADA on Transfer of 'Aggressor' Station

PA1602203996 Managua BARRICADA in Spanish 15 Feb 96 pp 1, 10

[Report by Mario Sanchez P.]

[FBIS Translated Text] A BARRICADA source has announced that Somozist reporter Nicolas Lopez Maltez

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is working to transfer *Radio Marti* from Miami Florida to Managua. The U.S. CIA intends to use the station to continue its attacks on the Cuban Government.

The transfer of *Radio Marti* to Nicaragua is costing several million dollars, and its operation will make Nicaragua the aggressor against the Cuban people and a violator of the principle of nonintervention in the internal affairs of another country, because the CIA will be transferring its campaign of aggression against Cuba to Managua.

Our source pointed out that in addition to transferring *Radio Marti* to Managua — the station will have a strength of 60 kilos [as published] and is expected to be on the air in May — the CIA will also install a television station at the same site with a signal directed toward Cuba.

Radio Marti, as well as the television station, will operate in the building that housed the Regional Coordinating Board for Economic and Social Research (CRIES) at the El Carmen church, one block from the lake.

The building is being remodeled, and the installation of the transmission antenna, which is on the roadside, is almost finished.

Other *Radio Marti* and television station offices will be located somewhere on the highway to Masaya, and Nicolas Lopez Maltez is already trying to contract Nicaraguan personnel and journalists to fulfill his *mission*.

BARRICADA attempted to interview Nicolas Lopez Maltez, but the workman who is installing the equipment says he is not in the country.

We did find out that Lopez Maltez is in Miami, where he has been meeting with CIA agent Mas Canosa and with Arnoldo Aleman, who negotiated the transfer of the *worm* station, the aggressor against the Cuban people, to Managua.

Arnoldo Aleman and Mas Canosa allegedly requested the station's transfer to Managua, arguing that Aleman will fully support the radio station and television channel, because he takes for granted that he will win the 20 October elections.

It has been disclosed that Telcor's [Nicaraguan Telecommunications and Postal Services Institute] Directorate of Telecommunications has already assigned *Radio Marti* and the television channel frequencies to Nicolas Lopez Maltez who, as the legal representative for those companies, conducted the negotiations. However, the documents he presented did not state whether the radio station will be called *Radio Marti*.

Nevertheless, Telcor's Directorate of Public Relations stated that the frequencies have not yet been assigned; the request has only been received from Lopez Maltez, who was given a series of documents outlining the requirements that must be met.

Nicaragua: OAS Observers Ready To Begin Activities

PAi702010696 Managua LA PRENSA in Spanish 13 Feb 96 pp 1, 14

[Report by Ariel Montoya]

[FBIS Translated Excerpt] Oscar Santamaria, OAS national elections' observer, said that as of today this continental organization will be officially represented in the country to guarantee the transparency of the elections to be held on 20 October.

Moments before meeting with President Violeta Barrios de Chamorro in the presidential house, Santamaria told reporters that "the OAS is willing to work as a guarantor to ensure transparent elections."

Santamaria also stressed that his visit with President Chamorro was a greeting for the OAS presence as an observer in the upcoming elections "to let her know that we are ready to assume our role as observers."

Along this line, Santamaria added, the manner in which this continental organization will execute its task in the period before the national elections are held will not differ from the method it followed in the 1990 elections.

"We will have to define the way in which we will monitor these elections, but it should not differ from the observation process we followed in 1990. We will disclose more details on the methods of observation and number of observers in the coming days," he stated.

In a statement given to reporters yesterday, Santamaria also said that the observation of these elections "will be complex and difficult."

Regarding the bomb explosions in Catholic churches, he said that he could not make any comment on this.

Asked about the attack on Arnoldo Aleman, presidential candidate of the Liberal Alliance (AL), Santamaria recalled that within the OAS, there is a "particular commission," the International Support and Verification Commission-OAS (CIAV-OAS), which is responsible for the informational handling of these cases.

The CIAV-OAS began its mandate to guarantee the demobilization of members of the Nicaraguan Resistance [RN] in 1990; its first chief was Santiago Murray. Currently, it is led by Santiago Caramagna, a sociologist, and his term might conclude this year. However,

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in some cases and on repeated occasions, his term has been extended at the request of the government, while in other cases, it has been extended at the request of the RN itself.

Salvadoran national Santamaria was appointed by OAS Secretary General Cesar Gaviria as its personal representative and head of the mission of electoral observers. Up to July 1995, he held the office of foreign minister during the government of President Alfredo Cristiani. He also chaired the government commission tasked with negotiating peace with the guerrillas.

In the coming days, Santamaria will meet with representatives of the Supreme Electoral Council (CSE).

Meanwhile, Jose Antonio Tijerino, Nicaraguan ambassador to the OAS, described Santamaria's appointment as observer of the upcoming elections as "wise, given Santamaria's renowned experience, talent, and trustworthiness in the Central American region."

Tijerino also pointed out that all of the sectors participating in the electoral process will feel guaranteed by Santamaria's work, which will uphold the prestige of the OAS in "motivating and promoting democracy in the hemisphere. [passage omitted]

Nicaragua: CSE President Submits Resignation Again

PA1702015496 Managua Canal Dos Television in Spanish 0030 GMT 14 Feb 96

[From the "TV News" newscast; passages within quotation marks recorded]

[FBIS Translated Text] [Unidentified reporter] Supreme Electoral Council [CSE] President Mariano Fiallos has resigned for a second time, but this time his resignation is for good. Even if it seems like a game of will he, won't he, this time his resignation is for good. Mariano Fiallos resigned from his post this morning.

[Fiallos] "Consequently, I have submitted my irrevocable resignation to the National Assembly, and this time, I must add, my resignation from the post of president and magistrate of the CSE will be permanent."

Fiallos first submitted his resignation on 26 January, but he withdrew it at the request of the plenum of CSE magistrates. However, after he withdrew his resignation, different sectors questioned Fiallos' presence in the CSE, as they hoped that just because his letter of resignation was read to the plenum, his resignation had become valid.

[Fiallos] "The three letters I recently sent to the National Assembly — one dated 26 January and two dated 30 January 1996 — have sparked uncertainty regarding the CSE presidency. By no means did I anticipate or expect this outcome."

There has been much speculation about Fiallos' resignation, in addition to the reasons mentioned in his letter.

[Deputy Jaime Bonilla, first secretary of the National Assembly] "I believe he does not feel he has widespread support from the sectors to hold his position peacefully and smoothly. Perhaps he is already aware of some disrespect for the electoral law and that he does not have enough energy to guarantee the necessary order."

Others have argued that his resignation is due to family pressure not to disqualify Antonio Lacayo, his cousin, from running in the upcoming elections.

[Fiallos] "Absolutely not. The CSE has always assumed its responsibility for endorsing the candidates. The CSE has not been passed any hot potato, as has been speculated. The CSE has only clarified the rules that apply to the case."

[Antonio Lacayo, former Presidency minister and leader of the National Project] "Fiallos' resignation has nothing to do with our relationship, because in any case, he could have avoided making that decision by leaving his substitute in charge and returning later. There is absolutely no connection between these two circumstances."

Whether or not Fiallos' relationship with Lacayo prompted his resignation, that is history. Now there is another problem.

[Cairo Manuel Lopez, president of the National Assembly] "In keeping with some specific aspects stressed in the framework law, there should be an agreement on this with the executive branch."

If this is the real problem, the much-touted framework law has kept us [word indistinct] for several months. The big question is how long the state branches will take to appoint a new magistrate and another president of the CSE.

Panama

Panama: Canal Incorporation One Step to Privatization

PA1602005896 Panama City EL PANAMA AMERICA in Spanish 14 Feb 96 p E-14

[Report by Juan Manuel Diaz C.]

[FBIS Translated Text] Lawyer Humberto Ricord said yesterday that the incorporation of the Panama Canal is a first step toward privatizing it and getting big trade organizations to do business from there.

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The lawyer also believes that continuation of U.S. federal laws could, at some point, prompt the United States to unilaterally interfere with corporate decisions.

Ricord noted that the incorporation of the Panama Canal would allow Panama to establish companies without giving a commercial edge to the United States, but he believes only the wealthy groups will take advantage of these opportunities.

Ricord said that the transition of the Panama Canal is a "complicated problem," which will be very difficult to solve during the remaining four years, because the process is moving too slowly. He said that the continuation of U.S. legislation, included in the constitutional title that was added in 1994, shows that Panamanian authorities lack a proper legal arrangement to guarantee operation of the Panama Canal.

According to Ricord, Law 96-70, governing the Panama Canal's administration, must be denounced in the international arena. Under it, the United States can interfere at any time in the operation of the Panama Canal.

President Bill Clinton has approved a law that transforms the Panama Canal Commission into a corporation with greater independence, making it more flexible to run.

Some sectors have expressed concern over the U.S. Government's decision and have expressed the need to know more about its implications.

[Panama EL UNIVERSAL in Spanish on 14 February carried a related 50-word article on page 1 that says the Foreign Ministry believes the "Panama Canal transition process will now be more flexible and fluid in its coordinating mechanisms, and future actions will improve" due to the implementation of the incorporation law. The Ministry also feels that the incorporation "is a measure that will undoubtedly bring great benefits to the transition process."]

Panama: Canal Administrator Comments on Incorporation

PA1902202896 Panama City LA PRENSA in Spanish 13 Feb 96 p A1

[Report by Jose Quintero De Leon]

[FBIS Translated Text] Panama Canal Administrator Gilberto Guardia believes that turning this agency into a U.S. Government corporation will ease the transfer of the waterway to Panama.

The U.S. Congress this past week approved the respective law, which President Bill Clinton sanctioned on 12 February.

According to Guardia, the change will be purely legal, and he has clarified that the organization, which will be called the "Panama Canal Authority" in the future, will be configured legally more easily by the U.S. executive branch through this government corporation.

In this regard, Panama's ambassador to Washington, Ricardo Alberto Arias, has said that the legal change is intended to make administrative work more flexible and expeditious within the federal agency that handles the Canal in order to ease the waterway's transfer to Panama.

Ambassador Arias has clarified that this has no connection with the future Panamanian agency that will operate the Canal after the year 2000 and that the operation of this agency is outlined by the constitutional reforms approved in 1995.

The intention is to facilitate the handling of personnel, the payment of bonuses and incentives (in cases of greater productivity), and the contracting of the greatest amount of goods and services in the Republic of Panama. These procedures took longer under the previous agency (Canal Commission).

On the subject of salaries for Canal workers, Guardia explained that the new law gives the current commission greater decisionmaking. For example, he has said the current Canal Commission cannot award incentive bonuses to workers for increased productivity. He has said the new law broadens this privilege and gave assurances that the new law in no way worsens conditions for Canal workers.

Felipe Josephs, spokesman for the Coalition of Unions of Panama Commission Workers, has said it would have been far better for Canal workers if the new legislation had included broader labor benefits, such as granting them representation before the Commission Board of Directors.

Local 907 leaders, in turn, have expressed their optimism over President Bill Clinton's act of sanctioning the law turning the Canal Commission into a corporation.

Panama: Article Approves Choice of Canal Administrator

PA1902221796 Panama City LA PRENSA in Spanish 18 Feb 96 p 20A

[Article by I. Roberto Eisenmann, Jr.: "Well Done, Panama!"]

[FBIS Translated Text] In the past, I have written various articles on the Panama Canal and the vital

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significance it has as a potential pole vault for the first-world vision on our nation. As is the case with every major opportunity, I have also noted the major risks we face.

Today, as we became aware of the government's appointment of Alberto Aleman Zubieta to the post of canal administrator, and I must say with relief and enthusiasm: Well done!

How did they come up with the name of Alberto Aleman, a business figure little known by most Panamanians? ...By the route of merits. I am certain the president and his advisers thought "let us make a list of honest, hard working, and knowledgeable Panamanian engineers having a universal vision, a crystal-clear professional and personal past, and a proven effectiveness in the management of macroplans on which many people work." Alberto Aleman Zubieta stands out in this list for his merits and for perfectly fitting the profile. This selection process is precisely what all Panamanians wished, especially regarding the Panama Canal. It was not the time to think about the party, personal friends, or political and partisan benefits. Fortunately for the nation, this wrong path faded away in the process.

President Ernesto Perez Balladares deserves the recognition of all Panamanians for this historical success. He grew and behaved not as a ruler, but as a statesman. It is now the turn for the U.S. executive branch, especially for the U.S. Senate, to confirm this Panamanian presidential appointment.

On the other hand, as Panamanians we must thank Alberto Aleman and his family for the decision to accept the appointment; his life will change radically. He will have to patiently withstand a process of investigations on the most intimate details of his life and a process of confirmation that will not be easy, because the Senate is being controlled by the party that opposes President Clinton at a time when the U.S. presidential campaign has already started. Even though we must expect the bipartisan system to predominate in such a vital issue for the two countries, it could not be the case. Alberto will also have to reorganize its company so that it will operate without the presence of its top executive and will maintain the confidence of suppliers, banks, and domestic and foreign clients, which is a very difficult and delicate task.

However, despite personal sacrifices, he will occupy the most important post in the nation at the most significant time in our history, and the most significant transition of the Panamanian nation will rest on his shoulders. He will lead, along with all the other Panamanians who work in the Canal, the ascent of our country to the levels typical of the canal... the first-world enterprise that will constitute a reference for the country.

In conclusion, Gilberto Guardia F., the first Panamanian canal administrator, will be able to leave calmly, knowing that his decision yielded the results he wanted. Now, based on the references he established, Guardia turns over the Canal baton to a young person of his stature who will firmly remain in his post in the year 2000 and who will be able to continue there, because he is not a politician... and because he came to occupy this post for his merits.

An agreement by all political parties to keep him in his post beyond the year 2000, regardless of who wins the 1999 elections, would be wonderful.

Well done, Panama!

Panama: Economic Study Suggests Negotiating Three Bases

PA1802001096 Panama City EL PANAMÀ AMERICA in Spanish 16 Feb 96 p a1

[Report by Arnulfo Barroso W.]

[FBIS Translated Text] A government-prepared economic report indicates that the talks on the permanence of U.S. bases could be centered on Sherman and Howard and on a pier in Rodman. The report adds that it will cost Panama at least 40 million balboas a year to maintain all the defense sites.

The government, before starting any talks on the issue with the United States, commissioned economists Marcos Fernandez and Jose Galan Ponce to prepare a report on the best uses for the U.S. bases after the year 2000.

Fernandez told the Rotary Club that the bases in Clayton, Albrook, Amador, and Corozal "will be returned anyway," and there is no possibility that Panama and the United States will share their use. Thus, the talks will be centered around Sherman, Howard, and a pier in Rodman.

He explained that the United States would be interested in Sherman because it is the United States' only jungle training center; it could share part of Howard with Panama to establish an international center to counter drug trafficking activities; and a pier in Rodman to unload.

Economist Fernandez maintained that Panama must think about leasing Sherman for 10 or 15 years, because its maintenance would be difficult, given its large territory and its big biodiversity reserve, two aspects that make the area coveted by land grabbers who are moving through Costa Abajo, Colon Province.

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As for Howard, he pointed out that other countries' experience shows that at least 10 years will elapse before it can be developed for civilian purposes, because its infrastructure includes a major runway surrounded by houses.

Fernandez ruled out the shared use of Rodman, because the third set of Panama Canal locks will use its installations and will force the destruction of at least three of its docks. He warned that there will be "a shock" [preceding word in English] in Panama in 1999, when the Canal and bases worth 3.7 billion balboas revert, and when presidential elections will be held. He proposed postponing one of the three events to prevent political and social pressure from adversely affecting any of them.

In his opinion, the net losses that the departure of North American troops will trigger will represent only 0.6 percent of the 1999 GDP, an amount that is much lower than the current losses of 320 million balboas.

Panama: Economist Predicts Possible 'Shock' in 1999

PA1902150596 Panama City EL PANAMA AMERICA in Spanish 18 Feb 96 p A2

[Report by Juan Pritsiolas]

[FBIS Translated Text] Panama could suffer a "shock" in 1999. Three events could cause such a commotion: the 1999 presidential election, receiving total control of the Panama Canal, and the Southern Command returning its main bases.

Marcos Fernandez, one of the economists the government has contracted to prepare a study on the best uses for the U.S. military bases that will revert to Panama, has made the "shock" prediction. Fernandez, an associate of Planning Minister Guillermo Chapman, has proposed that one or more of the three events scheduled for 1999 be postponed. This will prevent political and social pressures from disrupting the country's regular development.

Fernandez gave a talk to Rotary Club members and has said that the largest bases, Clayton, Sherman, Kobbe, Howard, Rodman, and Corozal, will be returned to Panama between June and December 1999 and that "they will give us the keys to the Canal" on 31 December. A new president will be sworn in that same year, in September, and that president "could agree with what has been done or could decide to change everything in three months," Marcos Fernandez added.

As an alternative, the Panamanian economist has suggested that the country's social and political forces reach an agreement, to be called "Ancon 1," on issues concerning the bases and the Canal. This, he said, would avert the "danger" of a disaster occurring with those resources.

Fernandez' recommendations will have a great deal of influence on what the administration of President Ernesto Perez Balladares will do regarding the negotiations with the United States on the permanence of the bases the Southern Command has been maintaining in Panama since 1911.

On 6 September 1995, Perez Balladares agreed with his colleague, Bill Clinton, to initiate talks to "explore" the possibility of maintaining "a reduced" military presence in Panama after the year 2000. On 13 October 1995, the president appointed an eight-member commission to start the talks with U.S. representatives on 30 November, but Panama unexpectedly announced on 22 November that the talks were being postponed.

Washington's open refusal to pay rent for the bases seemed to have been the main reason for the postponement. Subsequently, Panama contracted the services of Marcos Fernandez and Jose Galan Ponce to make a comparative study of the advantages and disadvantages of maintaining or not the U.S. military presence in the country.

According to the economist, the Forts Clayton and Amador and the Albrook and Corozal bases will be returned anyway, and the government must start selling them. The movement that could come about at Clayton, he has said, could turn it into the new center of the city in 20 years. Fernandez added that Howard's reconversion will be slower, because it is an air base. He has mentioned the case of the France Field Airport the grass is swallowing up. Although he has admitted the demands for Howard "are not striking," he did observe that 1,000 reconnaissance flights to detect drug cartel aircraft go out of this base every year.

Regarding the Sherman jungle training centers, Fernandez has said this area has one of the most important biodiversity reserves and could be rented out for 10 or 15 years, but he has warned of the dangers of land squatters who are advancing in the Costa Abajo area and could ruin this much desired land.

The maintenance of the bases is estimated to cost $35 million or $40 million a year, and Fernandez has said that amount should not be decreased, as it would cause the bases to deteriorate. The consultant has also said it will be difficult to use much of the land returned by the United States. "They are going to return 17,000 hectares of prime land between the Pacific and the Caribbean, but 10,000 hectares (the size of Panama City without San Miguelito) cannot be used, because they are

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rifle ranges, for example Emperador, Pina, and West Balboa," Marcos Fernandez has said.

Regarding Rodman, Fernandez has said: "The third set of locks will do away with the three docks at this naval base in 10 or 15 years; thus, the docks will have to be moved more to the west, and investments cannot be made there now."

The consultant has said the economic cost of the departure of the 8,500 soldiers stationed along the Canal will be $320 million. The main loss will be the wages paid to the Panamanians who work at the bases and who will either receive a wage cut when the transfer takes place or will lose their jobs. Also, many firms that sell to the bases will lose money and will not be able to replace those revenues with local sales. In addition, contract personnel will also suffer losses.

It is estimated that by 2000, the net loss from the closing of the bases (supposing all are closed) will only amount to 0.6 percent of that year's gross national product. "We cannot start discussing the issue (of the bases) without considering the country's perception, and, I am sorry to say, this is something Panamanians fail to do. We are short-term people," Marcos Fernandez has said.

Fernandez was strict about the Panamanians' attitude and has said "those of us who can see beyond our noses must understand that by the end of this century and the beginning of the next, the debate should be centered on how to maintain the standard of living we enjoy today because of the easy dollar."

In the end and after this report has been rendered, every Panamanmian must study the issue and take a position, because even if the Perez Balladares administration agrees to negotiate the bases, the people in a referendum are the ones who will make the final decision on this issue.

Panama: Perez Balladares, Zedillo Sign Several Agreements

PA1702034096 Panama City EL UNIVERSAL DE PANAMA in Spanish 15 Feb 96 p A1

[Report by Michelle de la Ossa]

[FBIS Translated Text] Panamanian President Ernesto Perez Balladares and his Mexican colleague, Ernesto Zedillo, yesterday signed several agreements that include a free trade agreement, an agreement to eliminate the need for visas concerning diplomatic, official, and consular passports, and an agreement intended to settle Panama's oil debt with Mexico.

Foreign Minister Gabriel Lewis Galindo announced during a news conference that Panama had offered the Mexican Government a plot of land to be used to install a permanent exposition center for goods to be exported.

As for the free trade agreement, Lewis Galindo said the objective is to transform Panama into a redistribution center.

Likewise, the foreign minister said that Panama's aspiration is to join the North American Free Trade Agreement (NAFTA) and that the agreement signed with Mexico "brings us closer" to that goal.

Mexican Foreign Secretary Jose Angel Gurria said a fixed date has been established to conclude negotiations for a free trade zone on the continent.

Gurria said free trade agreements do not take place by virtue of the interested countries adopting specific political decisions but are based more on common interests.

When both foreign officials were questioned about the extradition of Rafael Arosemena, they both replied there had been no change in his status.

The Mexican foreign secretary said that policies regarding the right to grant asylum do not vary much and that Arosemena's case is the only one Mexico has had in the past 10 years.

Meanwhile, Lewis Galindo said Arosemena's case had not been included on the agenda of topics the two presidents will discuss.

In addition, the Panamanian foreign minister said that the previous Mexican Government had granted Arosemena the right to asylum and that the Zedillo government is only respecting the decision.

On the oil debt, Gurria said the capital balance owed amounts to nearly 60 million [currency not specified] in addition to the corresponding interest. He added that both countries had agreed to meet before 14 March to agree on the methodology to estimate overdue interests as well as other technical issues.

Other issues discussed during the visit of the Mexican president included the establishment of a Multilateral Center for the Struggle Against Drug Trafficking, an initiative that interested Zedillo who instructed the authorities of his country to evaluate the most convenient manner to support the initiative.

Zedillo also reiterated his support for Panama's intention to host the congress and confirmed his participation in the event. [sentence as published]

During his visit to Panama, Zedillo received the keys to the city and a Certificate of Honor from Panama

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City Mayor Mayin Correa and Municipal Council Representative Astrid Wolf.

He was also given a typical Panamanian hat, and his wife was given a brooch made of gold and pearls.

Likewise, the Mexican president attended a luncheon at the Chamber of Commerce, where he said they have not sidetracked from the economic liberalization policies despite difficult times. He maintained that his government is convinced that only society's drive and the people's free participation could augment the enormous capabilities Mexico has to develop itself.

Zedillo affirmed that there is an awareness in our country that nations cannot develop themselves isolated from the rest of the world, adding that the key to the nations' development is productivity, which is achieved with policies promoting free trade.

The Mexican president said relations between the two countries remained distant for certain circumstances that marked history in recent years.

Meanwhile, the president of the Chamber of Commerce, Industries, and Agriculture of Panama said Panamanian businessmen are closely watching the Mexican development model President Zedillo is leading, adding that it is significant for the Panamanian private sector to take initial steps to make Mexico and Panama sign a preferential, bilateral, free trade agreement to increase trade exchange.

The two presidents yesterday afternoon went to Miraflores Locks, toured the installations, and waited for a vessel of this area to pass.

Finally, in the evening, the Panamanian president awarded the Manuel Amador Guerrero Medal to the Mexican head of state. Zedillo will travel to Costa Rica today.

Panama: Mexican President Concludes Visit

PA1602152896 Panama City Circuito RPC Television in Spanish 2300 GMT 15 Feb 96

[From the "RPC Television News" newscast]

[FBIS Translated Text] The state visit to Panama by Mexican President Ernesto Zedillo concluded this morning.

The Perez Balladares administration described the visit as productive.

President Zedillo left the hotel in which he was staying at 0940. At Tocumen Airport everything was ready to bid farewell to the chief of state. Security measures were strict.

The Mexican president arrived at the airport at 0955. He inspected Navy, National Air Service, Police, and Institutional Security units in the company of his Panamanian counterpart.

In line with protocol, both presidents listened to the national anthems of their respective countries.

The entire cabinet bade farewell to the Mexican president who left the country at 1003.

It can be said that President Zedillo's visit was positive. A new chapter has been opened in the relations between Mexico and Panama after they were somewhat cool at the beginning of this decade. Only one aspect remains a source of concern for some sectors of Panama: the Arosemena case and the Mexican Government's refusal to extradite him.

As President Perez Balladares sees it, the brief visit by his Mexican counterpart served to make progress on issues of bilateral interest.

[Begin Perez Balladares recording] It served to clear differences that existed at a given moment in our relations and to discuss the oil issue, whose solution had been pending for a long time, and the plans to negotiate a free trade agreement. [end recording]

Perez Balladares, like Zedillo, will participate in the Tuxtla II summit to take place in Costa Rica.

[Begin Perez Balladares recording] There are cooperation and policy coordination matters that are important and that we will be able to discuss at that forum. [end recording]

Perez Balladares will remain in Costa Rica until tomorrow. An official source has said that Panama will limit itself to listening to the positions of the other Central American countries.

Panama: President Comments on Mexico, Trade

PA1602154996 Panama City Telemetro Television Network in Spanish 1730 GMT 15 Feb 96

[Report by Axel Rivera; from the "Telemetro Reports" newscast]

[FBIS Translated Text] President Ernesto Perez Balladares has said that the negotiations for a free trade agreement with Mexico will safeguard the interests of Panama's industrialists and guarantee them markets for their exports.

The president said this as he prepared to leave for the Tuxtla Gutierrez II summit in San Jose, Costa Rica.

At the conclusion of Mexican President Ernesto Zedillo's two-day visit to Panama, Perez Balladares

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described the meeting as positive and said that a free trade agreement with Mexico would open broad possibilities.

[Begin recording] [Perez Balladares] One purpose of this meeting was, of course, to bring our countries and our relations closer. I think progress was made on matters of bilateral interest, such as pending work to clear differences that existed at a given moment, the oil-debt issue whose solution had been pending for some time, negotiations related to free trade, and other matters such as air communication, and cultural and educational exchanges.

I think that despite the fact this was a brief visit, much progress was made and relations were expanded and this will have positive results.

[Rivera] Has Panama any particular interest in any particular economic sector in Mexico, in the framework of the bilateral treaty?

[Perez Balladares] I think that the Chamber of Commerce's reaction to President Zedillo's announcement yesterday of the will the two governments have to negotiate and to sign a free trade agreement, makes evident that Panama's commerce sector is very much in favor of that possibility. There are obvious signs of very positive exchanges for Panama, and for Mexico, of course.

We will do it safeguarding the interests of our industrialists and providing them with a new market to which they may aim their exports. [end recording]

The president also spoke about the criticism from sectors against plans to modify the special retirement system.

[Begin Perez Balladares recording] This is a problem we did not create but that exists and that the previous government did not tackle. We could have skipped this problem and left it for the next government and allowed the people who have made contributions to the special retirement fund not to benefit from it because the fund is not large enough.

This would have been the easy thing for my government to do, but it would have been an act of irresponsibility toward the people on my part as president of the Panamanian people.

We have not proposed the elimination of anything. We have proposed to evaluate the matter to see what is causing or may cause a deficit in that special retirement program, not in other programs, which are different and must be studied separately, and see if by working jointly we can make corrections. [end recording]

After speaking to the media, the president boarded the presidential airplane along with the first lady and the Panamanian foreign minister. They headed for San Jose, Costa Rica, to participate with the other presidents of Central America in the Tuxtla Gutierrez II summit.

Panama: Communique on Diplomatic Relations With Cambodia

PA2102020196 Panama City LA ESTRELLA DE PANAMA in Spanish 19 Feb 96 p 20

[FBIS Translated Text] Panama and the Kingdom of Cambodia have signed a joint communique at the Permanent Mission of Cambodia to the United Nations, agreeing to establish diplomatic relations at the level of nonresiding ambassador, the Foreign Ministry has announced.

Ambassador to the United Nations Jorge Illueca and Cambodian Ambassador Prince Sisowath Sirirath have signed the document.

Foreign Minister Gabriel Lewis Galindo has said this is a new step by the government of President Ernesto Perez Balladares to increase Panama's diplomatic presence in Southeast Asia, particularly to promote Panama's admission into the Asia-Pacific Economic Cooperation. During the ceremony at the Cambodian Mission, Ambassador Illueca said the ties of friendship and cooperation that have existed for over two decades between King Norodom Sihanouk and the Panamanian Mission are now becoming official within a spirit of mutual understanding, in harmony with the UN principles and international law.

The joint communique on the establishment of diplomatic relations between the two countries will be distributed to the UN member nations by UN Secretary General Butrus Butrus-Ghali.

Panama: Poll on Bases, Political Preferences

PA1802193996 Panama City EL PANAMA AMERICA in Spanish 16 Feb 96 pp A4, A5

[FBIS Translated Text] The CID/Gallup company conducted a poll for the EL PANAMA AMERICA newspaper from 24 January to 1 February 1996. The results of this poll reveal how Panamanians feel about presidential hopefuls, the popularity rating of political parties, and their opinion about the future of the Southern Command bases. During this poll, 1,210 citizens residing in the metropolitan area and the interior of the country were interviewed.

How the Transfer of the Panama Canal Administration Will Affect Jobs

Most Panamanians tend to believe the transfer of the Canal administration to Panama will increase the

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amount of jobs available for the population. This opinion is mostly held by people who reside in the interior of the country (87 percent), people who have a university education (88 percent), and those who are under 40 years of age (85 percent).

The Country's Main Problems

Unemployment continues to be the country's main problem according to 51 percent of those polled. This problem is most mentioned by people who live in the interior of the country (63 percent) and people with primary school education (56 percent). In addition to unemployment, those polled also expressed their concern for the drug situation and the high cost of living.

Political Party Preference

In the beginning of 1996, most Panamanians said they did not belong to any political party. Most of the people who responded in this manner said their personal economic situation had worsened in the past year.

The PRD [Democratic Revolutionary Party] continues to be the party with the most members of those polled (24 percent). Its members are mostly people with high school education (26 percent) and those whose current personal economic situation is better than a year ago (38 percent).

The Presidential Possibilities of the Ministers

Presidency Minister Raul Arango and Foreign Minister Gabriel Lewis stand out as the ministers who a larger number of those polled believe could become president of Panama. This opinion undoubtedly originates from their image prior to their current work as ministers.

The Quality of the Transportation Service

Thirty-nine percent of those polled who use bus services at least three times a week believed that the service is very bad or somewhat bad. However, most of the people polled said the service was somewhat good or very good.

The U.S. Bases and Relations With the United States

The Panamanians' position regarding the stay of the U.S. bases after the year 2000 remains invariable. In general, those polled favor the stay. Mostly, people with a primary school education, as well as Molirena [Nationalist Liberal Republican Movement] and Arnulfist Party members, have this opinion.

Presidential Reelection

Most Panamanians polled said they would not vote for "Toro" Balladares if he were to run for president again. However, one out of every three citizens (30 percent) said he would back the president's candidacy, which reflects his government's relative popularity.

The Judicial System

There is a high level of doubt about the judicial system in Panama because only 6 percent of those polled indicated they had great confidence in the system and two out of every five people said they did not trust it at all. The distrust tends to become worse among Panama City residents and people with a unversity education.

The Cost of Living

Most of the those polled have perceived an increase in the cost of living during the past four months (73 percent). This situation has been felt mostly by people who live in the interior of the country (76 percent), women (75 percent), people with a primary school education (80 percent), and those who consider their economic situation as worse than a year ago (87 percent).

Politician You Would Vote For in 1999 Elections

The preference of those polled is divided among a large number of potential candidates. However, Arnulfist Party president Mireya Moscoso appears as the political personality that would receive the greatest number of votes (17 percent) if the elections were held today. Mireya Moscoso is mostly backed by people with a primary school education (23 percent), people whose economic situation is worse than it was a year ago (20 percent), and Arnulfist Party members (70 percent.)

Other candidates preferred by those polled include Papa Egoro Movement President Gloria Young, Foreign Minister Gabriel Lewis, Molirena leader "Billy" Ford, and Presidency Minister Raul Arango, among others.

Foreign Investment

Those polled believe the origin of the money entering the country is important because most of them (59 percent) believe it is detrimental for Panama to receive dollars from drug trafficking activities and only 27 percent said the origin of money is not important as long as drugs do not come in with the money. The position against the entry of narcodollars is more visible among people with a university education (70 percent).

Possibility of Receiving Your Retirement Payments

The Social Security Fund contributors tend to feel confident that there will be enough money to pay for their pensions. However, one out of every three believes they have scant or no possibilities of getting their pensions.

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The ministers in the current administration who are most mentioned as the best at their jobs are Housing Minister Francisco Sanchez Cardenas and Health Minister Aida de Rivera. Other ministers who received an important number of mentions from the people polled include Education Minister Pablo Thalassinos, Public Works Minister Luis Blanco, Government and Justice Minister Raul Montenegro, and Presidency Minister Raul Arango.

The Ernesto Perez Balladares Administration

Those polled gave a more positive than negative rating to the Ernesto Perez Balladares administration. However, almost half the respondents believes that his work "is neither good nor bad" (47 percent). The favorable opinions outnumber the unfavorable ones by 15 points. The people who have a more favorable opinion of the current government are those who belive that their personal economic situation is better than a year ago, people with a university education, and PRD and Papa Egoro members.

Rental Payment for Bases

Although most of those polled favor the military bases remaining in Panama, they believe it is unacceptable for them to stay without paying rent.

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Argentina

Argentina: Cavallo Said To Do Tax Policy 'U-Turn'

PY1602020096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1345 GMT 15 Feb 96

[FBIS Translated Text] Buenos Aires, 15 Feb (NA) — Economy Minister Domingo Cavallo has done a U-turn on tax policy in connection with the levying of VAT on products and services that have so far been exempt from VAT. Cavallo declared that "given the fact that we cannot eliminate all exemptions from VAT, we have deemed it advisable not to eliminate any at all for the time being."

The economy minister thus exposed his annoyance at the amendments made by the Chamber of Deputies to the bill that empowers the executive branch to levy VAT on several goods and services that at present are exempt from tax.

In an interview with the newspaper EL CRONISTA, Cavallo said: "We do not think it wise to do away with the tax exemptions currently benefiting health insurance or transport and at the same time exempt cable television subscriptions; radio, television, or press advertising; or television broadcasters' income from paying VAT."

The head of the Economy Ministry asserted that "only when exemptions are eliminated on the basis of an equitable criterion, will we be able to make strides in this subject and lower the VAT."

In another interview with the newspaper AMBITO FINANCIERO, Cavallo stated: "We deem that it will be more reasonable to resume the discussion of the elimination of exemptions when there is a political will — reflected in the legislative branch's decision — to jettison the ones that are unjustifiable."

With this statement, Cavallo broke the silence that he had maintained for several months and once again criticized deputies for the way they handle the bills submitted by the executive.

Nevertheless, he spared senators, as he considered that the position of the upper house members "springs from a legitimate concern about fairness in the process of eliminating tax exemptions."

Cavallo confirmed that the state intends to declare 20,000 civil servants redundant. He nonetheless made it clear that redundant civil servants will continue to collect their wages for a year from a labor retraining fund while they receive training so that they can be incorporated into the private sector.

The economy minister reiterated that the reduction of the VAT to 18 percent will be made when the evolution of tax receipts allows it. Cavallo added that the impossibility of lowering the VAT at the moment was not due to an imposition of the IMF because "that subject was not broached" during the negotiations with the IMF mission that came to Buenos Aires.

Changing the subject, Cavallo considered that the signing of a stand-by [preceding word in English] arrangement with the IMF for 21 months "was not a sign of mistrust" because Argentina made the decision to request that period.

The minister noted: "Argentina decided on a stand-by arrangement for a period 21 months and $1 billion in order to conclude the program soon."

Cavallo explained that if Argentina had requested a three-year program, it would have had to make projections until 1999, which would have delayed the conclusion of the deal.

Argentina: Cavallo on $7-Billion Increase in Public Debt

PY1702000396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1153 GMT 16 Feb 96

[FBIS Translated Text] Buenos Aires, 16 Feb (NA) — The public debt grew by $7 billion during 1995, although Economy Minister Domingo Cavallo explained that of that total, only $1.214 billion accounts for new debts and the rest to the amortization of existing debts and differences in exchange rates.

Cavallo said that up to 31 December 1994 the total debt amounted to $80.313 billion, and at the end of last year it amounted to $87.091 billion.

During a news conference granted yesterday at the Finance Ministry, Cavallo also included in the global figure $3.087 billion corresponding to the differences in the exchange rates and commitments undertaken earlier on.

In his technical explanation, Cavallo also added $11.689 billion corresponding to investments and disbursements for the purchase of Euronotes and various bonds placed by the state.

Moreover, he subtracted $10.475 billion for the amortization of debts, redemption of bonds and payments made in Bocons [Consolidated Bonds] by tax payers who adhered to the moratorium, with which the figure amounts to $85.812 billion.

According to the minister, to this final figure one must add $1.279 billion for disbursement of fiduciary funds for provincial development and the bank capitalization.

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With these operations, the Finance Ministry has determined that the Argentine public debt up to 31 December 1995 amounted to $87.091 billion.

However, he said that the real growth lies in the difference between new investments and the amortization of the already existing debt, that is, $1.214 billion.

Argentina: French, Spanish Envoys Concerned Over Tender

PY1702020696 Madrid EFE in Spanish 2034 GMT 15 Feb 96

[FBIS Translated Text] Buenos Aires, 15 Feb (EFE) — The diplomatic representatives of Spain and France in Buenos Aires have expressed their concern to the Argentine Government about Tucuman Province's nonfulfillment of a contract for concession of the service for distribution of water to a private Spanish-French company.

Tucuman Province Governor Antonio Bussi said some days ago that he had the intention of annulling the contract for the concession of the service that the Aguas del Aconquija Company, a group comprised of the French enterprise Compagnie Generale des Eaux and the Spanish enterprise Dragados and Construcciones (Dycosa), won through a public tender.

Spanish Ambassador Nicolas Martinez Fresno and French Ambassador Renaud Vignal expressed their concern in letters they sent to Economy and Public Works Minister Domingo Cavallo, Foreign Minister Guido Di Tella, and Cabinet Chief Eduardo Bauza.

Bussi stated that the concession could be annulled after the Waterworks and Sanitary Service Regulating Organization (Ersac) of the province questioned the rates for the service and the quality control by Aguas del Aconquija, which took over the service in July 1995.

A Spanish Embassy spokesperson stated today that the steps taken with the Argentine Government began due to "a slightly alarming situation" that was provoked by Bussi's announcement.

The French ambassador said that "this is the first time such a case of lack of legal safeguards has occurred in a company that has been privatized, and it is a particularly absurd case."

He added that Compagnie Generale de Eaux is "one of the largest companies in the world (in its field), and no one has ever questioned its technical qualifications."

Vignal is of the opinion that Bussi's remarks seem to be directed not at the technical qualifications of the company, but rather at Ramon Ortega, the former governor of the province, because the tender was called during the latter's mandate.

Argentina: Drug 'Czar' Resigns Over Court Ruling

PY1602170296 Buenos Aires TELAM in Spanish 1122 GMT 16 Feb 96

[FBIS Translated Text] Buenos Aires, 15 Feb (TELAM) — Media Secretary Raul Delgado has announced that Argentine President Carlos Menem today accepted the resignation of Gustavo Green, secretary for the prevention of drug abuse and for the antinarcotics struggle."

Delgado told journalists at Government House that Green submitted his resignation to the president who "immediately accepted it."

Judge Jorge Rodriguez, acting criminal judge of the third court of Moron, today issued a warrant for Green's preventive custody in response to a request submitted by an appellate court on 6 February 1996, thus hastening Green's resignation.

The complaint was filed by Carlos Pachilla and Hernan Encina, two youngsters who reported that on 20 May 1993 Green and his assistant Roque Salvia intercepted them while they were putting up posters, and took them to a police station in Merlo.

Once the ruling was announced, Green resigned and President Menem accepted his resignation at the Olivos Residence in the afternoon.

Green explained: "I submitted my resignation because I felt the legal case in which I am involved could tarnish the image of the administration."

Green added: "I stated this in my resignation which I sent to President Menem. Once the court ruling became public I had to resign."

He said: "The president accepted my resignation, which was the right thing to do." Green explained that Menem's decision was relayed to him by Presidential Secretary General Alberto Kohan.

Green, a former deputy for Buenos Aires Province, became national secretary for the prevention of drug abuse and for the antinarcotics struggle on 26 October 1995, replacing Alberto Lestelle.

Green was installed after being temporarily acquitted by the court of Moron in a case involving illegal deprivation of freedom.

The case continued, and on 15 February the Moron Criminal and Correctional Court issued a warrant for preventive custody which prompted Green to submit his resignation to President Carlos Menem.

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[Buenos Aires NOTICIAS ARGENTINAS in Spanish at 1122 GMT on 16 February carries a 60-word report that states: "President Carlos Menem today confirmed that Julio Cesar Araoz [prominent Justicialist Party leader], from Cordoba Province, is the new secretary for the prevention of drug abuse and the antinarcotics struggle. He replaces Gustavo Green who has resigned.

"President Menem told Radio America that Araoz "was offered the job and he accepted it." Menem did not say when the installation will take place, although it is assumed that it will be some time next week at Government House."]

Argentina: Deputies Pass State Reform Bill

PY1302152096 Buenos Aires TELAM in Spanish 0023 GMT 8 Feb 96

[FBIS Translated Excerpt] Buenos Aires, 7 Feb (TELAM) — After breaking the resistance of an opposition stage-managed by the Radical Civic Union, the ruling party was able to form a quorum to enable the Chamber of Deputies to approve a bill to undertake a major reform of the public administration.

This initiative, which was carried by an unanimous vote, will be sent to the Senate for a second review since substantial amendments have been made to the bill that the Senate passed on the basis of a text drafted by Justicialist Party [PJ] Senator Antonio Cafiero.

The PJ bloc, supported by deputies from Modin [Movement for Dignity and Independence], UCeDe [Democratic Center Union], San Juan Province Bloc Party, Tierra del Fuego Popular Movement Provincial Popular Party of San Luis, and Republican Force, formed a quorum to pass the bill, the enactment of which is of vital importance for the Menem administration. [passage omitted]

The bill approved by the lower house empowers the government to undertake a major restructuring of the state, excluding the judiciary and the legislative branch.

The bill provides that powers will be delegated to the executive branch for a year to undertake a major administrative overhaul and rationalization of the public sector to make it more efficient.

It empowers the executive to centralize, merge, reorganize, or partially eliminate decentralized agencies, irrespective of their legal status.

The PJ deleted from the bill a list of agencies that could not be eliminated, and introduced a clause which provides that "the State's essential functions" performed by these agencies must be guaranteed.

To that effect, the bill includes an article stating that "the complete dismantling of decentralized agencies established by law shall only be undertaken if the fulfillment of the State's essential functions that those agencies performed is guaranteed."

Moreover, the delegated legislative powers "shall be overseen by the Mixed Commission for the Follow-up to Privatizations and the State Reform." When eliminating agencies, "such supervision will be undertaken prior" to the dismantling of those agencies.

The bill also entitles the executive to privatize the provision of services, although "this does not imply a reduction in essential services."

In addition, the bill establishes that priority will be given to small- and medium-sized enterprises, and to those business ventures comprising personnel willing to undertake early retirement so as to license those services in a move to create more jobs.

This delegation of powers to undertake privatizations does not include public companies, universities, official financial establishments, service regulatory agencies, or shares owned by the state.

The federal government is also empowered to set up a public sector retraining fund in charge of training and supporting self-employment programs and solidaristic associations for civil servants, the military, and the police.

This fund will be managed by the Labor Ministry and will be funded with the proceeds from the sale of public assets ordered by the executive branch to that effect.

Furthermore, the bill stipulates that "any change" in the Armed or Security Forces "shall abide" by the Defense and National Security Acts and respect "both the spirit and the letter" of those acts.

The bill contains a chapter devoted to supplementary norms to the budget, which provide that the federal government must submit quarterly reviews of the budget.

It also provides that "by 30 June of every year," the executive "shall submit a progress report on the next year's budget."

Finally, the bill contemplates that any law "authorizing expenditures shall expressly state how those expenditures shall be funded. Otherwise, the implementation of such laws will be held until the necessary appropriations are included in the budget."

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Brazil

Brazil: Loyola Predicts Improved 1996 Economy

96SM0072A Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jan 96 pp A1, B6

[Article by Ivanir Jose Bortot and Vera Brandimarte: "Interest Rates Fall With Drop in Current Account Deficit"]

[FBIS Translated Text] Sao Paulo—The Central Bank (BC) is predicting a substantial improvement in the external accounts this year. Gustavo Loyola, president of the BC, feels that the deficit on current account will be reduced from between $17 billion and $18 billion to between $12 billion and $13 billion. To a large extent, the deficit in 1996 will be financed by lines of foreign trade.

Without the pressure to attract foreign capital, the BC will be able to pursue a less restrictive monetary policy and further reduce interest rates. Loyola is gambling that as a result of lower interest, the economy's performance in the first quarter will be better than expected, although it obviously will not repeat the extraordinary nine-percent growth recorded during the same period of 1995. Last year the economy began well and ended poorly, said Loyola. The opposite will occur this year.

In the BC's opinion, consolidation of the Real Plan in 1996 depends primarily on the National Congress. Loyola says that the priorities for the economic area are the reforms in social security and administration, approval of which is expected during the first half of this year, since more than 100 congressmen are candidates in the municipal elections—a fact that will empty out the Congress during the second half of the year.

Those reforms are essential to help resolve the imbalance in the public sector's accounts. Along with the financial system, the public sector is among those hardest hit by the end of inflation.

In Loyola's opinion, the crisis in the financial system, which led to intervention in the weakest banks—among them the Banco Economico and the Banco Nacional—is now over. Only a few state banks are still causing the Central Bank concern. Establishment of the Program To Stimulate the Restructuring and Strengthening of the Financial System (Proer) had the effect of calming the market's fears about the risk of more bank failures.

"The worst is over," said Loyola when he visited this newspaper last Friday in the company of Claudio Mauch, the BC's director of organization and standards. In fact, "only one institution—the Banco Nacional—has turned to Proer for help so far, and that was an operation involving about 6 billion reals. That is a small sum of money compared to the experience in other countries such as Venezuela and Mexico."

The Venezuelan banking crisis cost that country 15 percent of its GDP [gross domestic product]. In Brazil's case, that would have been the equivalent of $90 billion if a crisis of the same proportions had occurred here.

Mauch and Loyola admit that the BC has limitations when it comes to overseeing financial institutions. Basically, this involves shortcomings in two areas: assessment of the quality of the assets of a bank and of its subsidiaries abroad. Globalization of the economy has been making it harder to monitor offshore operations in particular. "That difficulty is common to several countries, and we are trying to learn from the experience of other central banks such as those in the United States, Germany, and Great Britain," said Mauch.

According to Loyola, any remaining weakness in the banks is to be found in their assets. The Central Bank wants to set up an information system based on data regarding the banks' loan operations. With that data bank, it will be possible to monitor the amount of credit obtained by each firm in various institutions and, as a result, the quality of a bank's assets.

"The Central Bank can set up that system without violating banking secrecy. But the ideal thing would be for the financial institutions to also have access to that information to help them decide whether to grant a loan." According to Loyola, banking secrecy would not be violated if the information were made available to third parties because the banks would know only how much credit had been granted to each firm, not who financed it or how much a particular lender was financing. "If there is any legal impediment to our setting up the system, we will change the legislation," he said.

The importance of that register of credit operations by firms can be seen from the recent bankruptcies of firms which, until they filed for protection, enjoyed great credibility in the marketplace. The banks, relying mostly on a firm's image, concentrate their lines of credit on a small number of firms, believing that the latter present less risk—but their generosity in providing lines of credit often ends up contributing to excessive indebtedness and future difficulties for the firms. The cost of money for those firms is usually much lower. All other firms, being considered a bigger risk, pay very high interest for their loans.

In Loyola's opinion, there persists in the market a distortion in the formation of lending rates, which are generally excessively high in comparison with the cost of attracting money. The primary interest rate has been

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dropping steadily with no corresponding decline in lending rates. If the latter were to drop now, according to the BC's president, the result would not be a risk of soaring demand, since borrowers themselves are now more cautious about going into debt.

The BC, says Loyola, is engaged in talks with the Brazilian Federation of Bank Associations (Febraban) regarding measures that might be adopted to reduce that spread in rates. He admits that taxes and the remaining compulsory deposits are important factors in setting interest rates, but he believes that internal costs which the banks should reduce also play a role. At the same time, the public sector's huge public debt ends up contributing to a continuation of high interest rates and making it difficult for the private sector to obtain credit.

The BC's president says that the growing indebtedness of the states and municipalities, which the Central Bank has been tolerating, can only be effectively prevented in two ways: through political control, in which poor administrators are eliminated through the election process, or through control by the market, in which a private bank would become aware of the risk involved in lending to a state government—something that would only happen if the Federal Government withheld its backing.

In recent years, he said, the adoption of more and more measures to prevent the growth of state debt has resulted in the appearance of more and more creative operations for getting around those restrictions and obtaining more loans, chiefly through the state banks. "States and municipalities ought to go bankrupt" instead of being continually helped by the Federal Government, said Loyola, recalling that the U.S. Government abandoned the City of New York to its fate in 1975.

From the standpoint of monetary and exchange policy, the Real Plan is going very well, said the president of the Central Bank. "This will be a better year than 1995. The effects of the Mexican crisis on Brazil's image have been overcome. The expectation is that Brazil will achieve a trade balance surplus of from $2.5 billion to $3 billion this year, and that the inflow of foreign currency will continue to be more than sufficient to finance the deficit on current account." Loyola avoided saying what the ideal amount of foreign currency reserves—currently $51 billion—would be. "It all depends on the magnitude of the problem that might arise on the international scene," he said. Brazil would be much more vulnerable if, instead of $40 billion in reserves, it had only $10 billion. However, there could occur a crisis of such proportions that $50 billion would mean nothing.

Brazil: States' Debt Seen as Threat to National Unity

96SM0072B Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jan 96 p A2

[Editorial: "Debt and the Federative Pact"]

[FBIS Translated Text] The indebtedness of the states is perhaps the biggest threat currently weighing on the federative system in Brazil. If the federal units continue to go into debt at the pace observed over the past decade, a growing proportion of their debts might have to be assumed by the Federal Government, a step that would make it impossible to balance the national accounts. The alternative would be to impose a punitive financial system on the states, thus abolishing, in effect, their administrative autonomy. That development, of which disturbing signs are already appearing, would be economically disastrous, and it might have unforeseeable political consequences by endangering national unity itself.

We are not exaggerating. A year ago, according to a study by the World Bank (IBRD [International Bank for Reconstruction and Development]) that was featured by this newspaper in its Friday edition, the accumulated debts of the state governments totaled 95 million reals, and the states were delinquent in payments due on over half of that amount. Judging from what has happened in Sao Paulo, Minas Gerais, Rio de Janeiro, and Rio Grande do Sul, which are the states with the biggest debts, the situation has grown much worse since then. Their situations differ, and Sao Paulo is an extreme but significant case. Sao Paulo securities and contract debt has risen from 40 billion to 50 billion reals in the past 12 months, and it is estimated that the total debt is up to 60 billion reals, an amount exceeding the debt of the great majority of Latin American countries.

Topical solutions may be found, as demonstrated by the Sao Paulo government's agreement with the Central Bank to liquidate its debt to Banespa [Sao Paulo State Bank]. But as the IBRD pointed out, the federalization of state debts has severe limitations. The Federal Government cannot continue to refinance state debts in the long term and at subsidized interest rates—and what it does for one federative unit it must do for all—without seriously jeopardizing efforts to eliminate its own budget deficit. For the states, debt can be reduced by transferring to the central government assets owned by the state governments, as happened in the case of Sao Paulo's major airports and Fepasa [Sao Paulo Railroad, Inc.]. But over half the debt remained as a state obligation to the union, and although its cost in relation to revenues is lower, it is still very large.

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As can be seen, the question goes beyond that of controlling access by the state governments to credit. There can be no guarantees for the future without a solution to the acute problems inherited from the past—something that the Federal Government is attempting to achieve through its Support Program for the Restructuring and Fiscal Adjustment of the States. The refinancing of state debts as authorized to date extends payment deadlines and provides low interest rates but is strictly conditional upon a reduction in administrative spending by the state governments and upon rigorous compliance with the commitments made. Another requirement is privatization, including even the tying of state assets to emergency assistance, and more intensive recourse to the concession of public services.

The sacrifices required in this phase may be tough, but that is the essence of a policy designed to preserve the federative pact, the assumption being that administrative decentralization could not continue if the disorder in the finances of the states and municipalities were to persist, since that would make it impossible for their rulers to carry out even a minimum program. And that is the sole reason, as we pointed out previously, that the state governors have now become the most outstanding promoters of administrative reform. Just this week, three governors and the representatives of three other states were in Brasilia to demand that Congress abolish job security for government employees and establish a fixed maximum pay level for the three branches of government so as to include the legislative and judicial branches in the budget restrictions.

That by itself is not the solution. As the report explains, containing and regulating the public debt requires that general economic policy measures also be adopted to ensure a thoroughgoing restructuring of the system under which the states incur debt. Rationalizing expenditures on the administrative machinery is, however, the key to a change in the concept of government.

Brazil: World Bank Discusses Aid to State Banks

96SM0072C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jan 96 p A20

[Article by Paulo Sotero: "World Bank Will Help States"]

[FBIS Translated Text] *The director of the IBRD [International Bank for Reconstruction and Development] has announced that Rio Grande do Sul and Rio de Janeiro will be the first helped.*

Washington—Rio Grande do Sul and Rio de Janeiro are to be the first of the big and indebted Brazilian states to receive help from the World Bank (IBRD) in restructuring their public accounts. "The form and amount of the bank's participation have not yet been decided, but the willingness to support the program for reforms and the financial reorganization of those states exists, and talks are well under way," said Gobind T. Nankani, director of the IBRD's Brazil Department, last Friday. According to Nankani, the bank has also begun preliminary talks for the same purpose with the government of Minas Gerais.

Sao Paulo, which alone accounted for about 40 percent of the monstrous debt of 100 billion reals owed by the states at the end of 1994 (a debt that has grown larger since then because of high interest rates), has not yet shown an interest in the bank's help. As an indication of the doubts raised by the agreement to return control of Banespa [Sao Paulo State Bank] to the state government, the high official at the IBRD said that so far there has been no start on dealing with the problem of the state's securities debt. Sao Paulo, Minas Gerais, Rio Grande do Sul, and Rio de Janeiro hold two-thirds of that debt.

Participation by the IBRD in the financial reorganization of the states will be determined in part by a report which was completed by the institution's economists early in the second half of last year. That report was based on data for 1994 and on case studies conducted, for the most part, by Brazilian economists. Published in November, it incorporates analyses and data provided by the state secretaries of finance and economists at the Central Bank and the National Treasury.

"The information provided was all known, and the conclusions are the same as those reached by the government's economic team, so much so that several of the bank's recommendations are already being implemented," said Marcos C. de Paiva, Brazil's executive director on the IBRD board of directors. Those recommendations include measures to contain the "explosive growth" in state indebtedness, programs for reforming and modernizing the state public structure (including privatization and the dismissal of employees), and the introduction of mechanisms by the Federal Government to evaluate the credit situation of the states. "The Ministry of Finance is very committed to that policy and is working on it," Nankani said.

The IBRD's report, which is the first attempt to systematize the extremely serious financial crisis in the states, divides the problem into three parts. The most serious cases are those in the richest states such as Sao Paulo and others in the center-west, which, in addition to being unable to honor or finance their debt commitments, are also faced with a liquidity crisis. The second category includes Bahia and the states in the northeast, which rescheduled their debts in 1991-92 but are faced with the danger of another debt crisis now that the grace

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period for paying their debts has expired. That leaves situations such as the one in Para, where there are large short-term debts.

Brazil: Growth Forecast at 2.1 Percent Without Reform

96SM0072D Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jan 96 p A4

[Article by Sandra Gomide: "Without Reforms, Country Will Grow by 2.1 Percent"]

[FBIS Translated Text] Sao Paulo—Economic activity is expected to increase by only 2.1 percent this year, thanks chiefly to the industrial and service sectors, and the unemployment rate is expected to rise from its current 5.4 percent to 5.9 percent. Accumulated inflation as measured by the General Price Index-Domestic Availability (IGP-DI) will stand at around 25 percent, and the trade balance will again show a deficit of about $3 billion.

That is one of the most probable scenarios for the Brazilian economy, and it has a 60-percent chance of coming true by the end of the year, according to the BOLETIM ECONOMICO INDICADORES ANTECEDENTES, which is published quarterly by economists Claudio Contador of the Federal University of Rio de Janeiro (UFRJ) and Josef Barat. Barat points out that the possible rates of growth in the principal indicators of activity may vary depending on the political stand taken by the administration this year. "One of the main problems for the administration will be to implement the structural reforms and contain public spending," says Barat.

The economists believe, however, that if the administration speeds up its measures for implementing the structural reforms, the picture might change, with the economy showing better results in the long run. The bulletin says that in such a case, although the growth rate might be only 1.7 percent this year, that total would include recovery from the negative balance on current account (which would improve from a deficit of $18 billion to one of $15 billion) and accumulated inflation rates of about 17 percent. According to Barat, the chances of that happening are only 20 percent, since the administration will be subjected to political pressure and pressure from businessmen to delay implementation of the so-called fourth phase of the Real Plan.

There is also some possibility (20 percent) of an economic recession and a return to the pre-real patterns of behavior, with slightly faster growth (around 2.5 percent) and high rates of accumulated inflation (35 percent) for the year. "If that happens, it will interrupt the stabilization process and require changes and adjustments out of consideration for the interests of our allies," Barat points out.

But regardless of which direction the economy takes, the economists are predicting a reduction of 5.4 percent in agricultural production, a development that is not expected to have harmful effects on demand or food prices because the inventories built up in 1995 were above normal. Agricultural production is expected to return to its 1994 level, which was considered very good by the experts.

Chile

Chile: Insulza Returns After Tour of Mercosur Countries

PY1702030096 Santiago Universidad Catolica Television Internacional in Spanish 0000 GMT 17 Feb 96

[FBIS Translated Text] Foreign Minister Jose Miguel Insulza was cautious about the date for reaching a free trade agreement with the Mercosur [Common Market of the South].

Upon returning from a tour of the Mercosur countries, Insulza said there are no obstacles that cannot be overcome.

[Begin recording] [Unidentified reporter] Upon returning today from the capitals of Brazil, Uruguay, Paraguay, and Argentina, which he visited to evaluate the negotiations for a free trade agreement with the Mercosur, Foreign Minister Insulza was cautious about reaching an agreement, although, he said, there are no obstacles that cannot be overcome.

[Insulza] The road toward an agreement is open. I believe it is obvious that the five countries have the political will to achieve an agreement between the Mercosur and Chile as soon as possible. I frankly believe that this political will is more important than a timetable for an agreement.

[Reporter] He said that with regard to joining the Mercosur, an agreement has already been reached on 88 percent of tariffs and the remaining 12 percent is part of the list of exceptions, but that it is believed there will be no step back, and that the agreement will be ready in late March. Although the Mercosur countries have invited Chile to join this organization, our country cannot join due to the difference in tariffs implemented by the Mercosur in relation to our system. [end recording]

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Chile: Nation To Discuss Radioactive Waste With UK, Japan

PY1702025496 Santiago EL MERCURIO in Spanish 2 Feb 96 p C3

[FBIS Translated Text] Carlos Ducci, foreign policy director of the Foreign Ministry, has stated that the Chilean Government will negotiate with the United Kingdom and Japan the conditions for the necessary safeguards in the event ships carrying radioactive waste pass through Chilean territorial waters.

Although no state can intercept a ship carrying a nuclear cargo on the high seas in accordance with the existing regulations, Ducci made it clear that the negotiations are justified when territorial waters are involved.

Navigation on the high seas is free, according to the Law of the Sea Convention, ratification of which is being debated in the Chilean Congress.

Ducci noted that after the various rounds of talks held with the British and Japanese authorities, the Chilean Government will reportedly conduct negotiations on the conditions to guarantee the most absolute security for transport in the event these ships pass near or through Chilean territorial waters.

Christian Democratic Party Deputies Samuel Venegas and Jose Makluf said they have information to the effect that within one month, the British tanker Pacific Pintail will reportedly leave the French port of Cherbourg carrying a load of radioactive waste, and will try to pass through the Drake Passage or the Panama Canal.

The passage of the Pacific Pintail through Chilean territorial waters with 14 tonnes of radioactive waste in March 1995 created a great controversy in Chile, and the government voiced its concern in a note sent to France, the United Kingdom, and Japan.

Venegas and Makluf said that there are two additional pieces of information, one saying that within one month or less, the Pacific Pintail would leave the French port of Cherbourg bound for Japan, and that it would try to pass through the Drake Passage or the Panama Canal.

According to another report, high-level environmental officials from the European Community are meeting in Paris to discuss whether these shipments should continue.

Chile: Paper Views Attempt To Reorganize Opposition Pact

PY1902104796 Santiago EL MERCURIO in Spanish 15 Feb 96 p C2

[FBIS Translated Excerpt] Despite the reconciliatory efforts made by the National Renewal Party [RN] yesterday during the meeting with the Independent Democratic Union [UDI], they were unable to overcome their disagreements.

The UDI reiterated that the situation will not vary until the RN legislators drop the idea of debating the constitutional reform bill currently in the Senate.

Despite the fact that the RN and UDI leadership agreed that rejecting the government proposal opens a path for an understanding that will allow for the reorganization of the Unity for Chile pact, the differences between the two parties seemed obvious.

In the meeting — the first since the relationship between RN and UDI was frozen in September — the acting RN leadership gave the UDI the constitutional reforms proposal drafted by Deputy Luis Valentin Ferrada.

Despite the fact that on 13 February RN Acting Chairman Roberto Ossandon assured EL MERCURIO that the meeting would also assess the fate of the opposition alliance, which, he said, would be a "decisive step to boosting the alliance," the session only discussed the so-called "Ferrada proposal." [passage omitted]

During the last executive board meeting in January, the UDI gave the RN a last chance to reorganize the opposition alliance on the grounds of the rejection of the constitutional reforms. The RN has until the second half of March for this.

The UDI believes that if the "Ferrada proposal" entails rejecting the government reform bill, "as some RN sectors interpret it," a new political scenario would take shape and allow for future talks between the two political parties. [passage omitted]

UDI Chairman Jovino Novoa commented that, in his opinion, the fact that the two parties sat down to negotiate after six months of frozen relations "is a very important sign of unity." He said, however, that a schedule for the next steps to be taken regarding their unity has been established.

Colombia

Colombia: Ambassador to U.S. Discusses Certification

PA2002201896 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1318 GMT 20 Feb 96

[Telephone interview with Carlos Lleras de la Fuente, ambassador to the United States, in Washington, by Emisoras Caracol News Director Dario Arizmendi, in Santa Fe de Bogota, and Diana Montoya, in Miami — live]

[FBIS Translated Text] [Arizmendi] Business group spokesmen today are traveling to the United States.

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Their mission is to meet with U.S. leaders and representatives and leaders of the CIA, DEA, and other agencies. The objective is to seek certification for Colombia. Both the U.S. executive branch and Congress are currently discussing this certification. The unions will prove two things to U.S. authorities: First, the statistics for our businesses — from Colombia to the United States and from the United States to Colombia — and the manner in which any decertification would adversely affect a large segment of the Colombian population.

There are two clear issues here: First, the statistics on our businesses and the Colombian economy and, second, the damage our economy and a large number of good and honorable people in our country would sustain if the decertification is approved.

The debate on decertification has involved such countries as Mexico. On 19 February, the Mexican Foreign Relations Secretariat issued a communique stating that the United States had no moral authority to certify the behavior of any drug-producing country, because it is the world's largest drug consumer. In addition, the communique stated that the certification violated the state's national sovereignty. This is how the Mexican Government rejected this U.S. practice.

This is why Emisoras Caracol is interviewing Colombian Ambassador to Washington Carlos Lleras de la Fuente. Dr. Lleras, good morning.

[Lleras] Good morning. How are you?

[Arizmendi] How has the Embassy in your charge been coordinating the appointments and meetings for the Colombian businessmen who will be in the U.S. capital starting today?

[Lleras] Well, as it is usually done in these cases, you are aware that when I was in Santa Fe de Bogota I called on the private sector to embark on a campaign to present the country before the U.S. Congress and administration. The private sector has widely and generously agreed to do it. So, through attorney offices, we have set up all the necessary appointments to make these businessmen as effective as all of us wish them to be.

[Arizmendi] How accessible are U.S. authorities and Congress when it is known that the certification has undeniable political overtones that have to do with the presence of President Ernesto Samper in Narino Palace?

[Lleras] The certification, technically speaking, refers to Colombia's efforts in the fight against drugs in 1995. This is an issue that does not need to be further analyzed, because the results are obvious. The Embassy on 15 February published a 40- to 50-page long report, which is also being distributed by mail, on the fight against drugs. This report [words indistinct] efforts in 1995 are so clear, if this were all we are dealing with, we should not have any problem in matters of certification. Now, if the political overtones have already been included, then [words indistinct] because these matters [words indistinct] all of us.

[Arizmendi] Mr. Ambassador, some will see differences in the firm and definite opposition of Mexico, which has decided that this is not an issue in which the United States must meddle, because it violates Mexican sovereignty. Some will see differences between the Mexican attitude and ours, which has not been as decisive as theirs. What do you think?

[Lleras] Well, Mexico can say what it pleases. I am pleased it said this, because it is right. However, [words indistinct] whether it is certified or not. That is not the issue. I cannot say whether it harms them or not; it is a U.S. law. [Words indistinct] Mexico [words indistinct] right [words indistinct] internal affairs. I am reading a newspaper article on the corruption of U.S. border authorities [words indistinct] other countries, mainly from Mexico. However, it [not further identified] has no effect, because, as I already said, it is a U.S. domestic law that the U.S. Government will enforce anyway.

[Arizmendi] Even though you have said that it refers to 1995, technically speaking, the statements made by a U.S. State Department spokesman and by the second highest-ranking official, Attorney General Janet Reno, were recognized in Colombia. They said that, regarding the certification, they would take into account everything that happened in Colombia on this matter, including President Samper's case before Congress, until the day before the certification or decertification are issued. Is this a too-loose and arbitrary interpretation of the U.S. Government position on the Colombian Government?

[Lleras] Yes, it is; it absolutely is. Last year when it was said that Colombia had made a big effort in the fight against drug trafficking between January and March 1995, U.S. authorities pointed out that it did not matter, because the study would focus on events that occurred until 31 December 1994. Therefore, they said, what had been done in 1995 was unimportant. Today, they are trying to say the opposite: What was done in 1995 is fine, but we are taking into account what is happening in 1996. It is a contradiction that implies undue interference in Colombia's internal policies, which is something that the United States should really abstain from doing.

[Arizmendi] Being realistic, Ambassador Lleras, how would you evaluate the attitude of the U.S. Government and Congress now on the certification? Do you think

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they will grant the certification to us? Do not consider your wishes; consider the information available to you.

[Lleras] I was saying the other day I gave up my profession of prophet, which it seems to me is irrelevant. Then, I do not dare make any sort of predictions. If it were based on Colombia's performance in 1995, we should get it. However, despite everything I was saying a few minutes ago, there is no doubt there is a rarefied political environment. There is an expectation of prevention at the U.S. Administration and Congress itself regarding the political development of the Colombian crisis. We have clearly insisted on our position, and the United States has so far respected it.

All of this constitutes domestic and internal policies that Colombian institutions have to resolve, which it has been doing for the time being, and that, therefore, have absolutely nothing to do with the enforcement of the law on cooperation on drug trafficking matters, which are impeccable.

[Arizmendi] Would you consider yourself satisfied if Colombia manages to keep the current certification due to U.S. national security reasons?

[Lleras] Well, I would not have considered myself satisfied three months ago but, following Jose Santacruz' breakout and, of course, all the political events that created such an extremely difficult to handle situation, I would think that, albeit unfair, it would be a way to overcome such a difficult moment in Colombian life.

[Arizmendi] Mr. Ambassador, our colleague in Caracol's 0600 to 0900 newscast at Caracol's international center in Miami wants to ask you the following question. Good morning, Diana.

[Montoya] Good morning, Dario. Good morning, ambassador. Greetings from Miami. We have reported that production groups' representatives will talk with different authorities in the United States. We have also learned here in Miami that some consulates in certain cities are working hard, writing letters, and sending messages to congressmen. What is the actual effect of all these actions and talk, meaning when any citizen — for example, a Colombian — sends letters to congressmen for them to grant us the certification?

[Lleras] It is very important. First, because congressmen and the U.S. Administration feel there is support from all the good people in Colombia for the country's things, for the defense of the country's interests. Thus, it is important to make this opinion well known so people may realize not everyone is resorting to the political practice of using international problems to attack the government. Instead, what almost all Colombians seek is to defend the country from any danger that may come from abroad, above all, in this case, as a result of the certification issue.

[Arizmendi] Ambassador Lleras de la Fuente, what is the meaning of the National Police director's current official visit to the United States?

[Lleras] Well, Major General Rosso Jose Serrano should arrive today. It is an important visit. He has commitments for today and tomorrow; on Thursday and Friday, he will carry out a series of visits to people he knows and with whom he has worked throughout this fruitful year in his role as National Police director. He will also review the certification issue.

[Arizmendi] To conclude, Ambassador Carlos Lleras de la Fuente, we thank you very much for this contact with Colombia's Caracol Network. Whether or not Colombia receives its certification, do you stick to the decision you stated a week ago, when you stopped over in Santa Fe de Bogota? Will you come back after this process? Will you leave the Embassy?

[Lleras] Yes, I will leave when I conclude the process, because I am tired. One gets tired, as in a boxing match. One gets tired after so many blows, and one cannot do much more. I intend to finish what I have to do, in the measure I can do it [chuckles], so the country may take a breather; or I will simply leave because nothing can be done. I am tired because this is a narcotized [narcotizada] relationship in which all the positive actions I had planned to carry out at the Embassy have been reduced to long talks, throughout 16 months, with the U.S. Congress and Government about the drug trafficking issue.

[Arizmendi] Mr. Ambassador, you got tired after 16 months, yet some people claim you want to become president of Colombia.

[Lleras] No, this is different. It is one thing to exercise power for the people's benefit and another to have to go from one office to another in a foreign country, explaining what is being done in your country. As you may realize, they are two entirely different things.

[Arizmendi] Mr. Ambassador, this is our last question. Will you continue to support President Samper once you conclude your mission?

[Lleras] I support the country's interests at all times and that is what I have done. I am dedicated to the defense of Colombian [words indistinct] waging the great battles that the government has entrusted me with, meaning the defense of Colombia's interests.

[Arizmendi] Do you regret having been head of the Embassy for the past 16 months, during which all your

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efforts and talent have had to be solely dedicated to the narcotization and denarcotization of relations?

[Lleras] No, I do not regret it. This has been a great experience. I think much has been done for the country. I do regret that relations between Colombia and the United States end up being reduced to such sterile things, such as talking every month about how many hectares were eradicated or how many were not eradicated, when in fact there are so many other things about which we can discuss but which we have not been able to talk about because of this situation.

[Arizmendi] Because of your departure in a month, how would you answer the question if President Ernesto Samper were to ask you what type of profile your successor should have?

[Lleras] Well, I do not think I will be asked, but with the utmost humility I would say he should have a profile similar to mine.

[Arizmendi] Would someone of your father's temperament have endured so much?

[Lleras] Yes, I think so, because he would have [words indistinct] than I.

[Arizmendi] We are used to U.S. ambassadors in the style of Myles Frechette: frank, open, interventionist ambassadors who do not keep silent. Do you think Colombia....[pauses] the same as you have also done in the United States, because you have maintained a position, a commitment; you have been straightforward in expressing your views. Do we have to have ambassadors that will speak loudly and clearly?

[Lleras] There is a great difference. A U.S. ambassador in Colombia is a person who has an audience and who, you the news media, give perhaps too much of an audience. Here in the United States, we ambassadors do not have an audience, we do not have access to the media, we do not have access to many levels of government because the situation [words indistinct] is different. This is the capital of the world, and here an ambassador [words indistinct] does not have much importance and the newspapers and many levels of the government do not pay attention. In Colombia, unfortunately [words indistinct] specific people so they even reach a level of interventionism, which is many times negative.

[Arizmendi] Are you referring to the case of Ambassador Frechette?

[Lleras] I am referring in general terms to the importance that ambassadors have in one and the other country.

[Arizmendi] Mr. Ambassador, after 16 months of such tiring work as you described, will you return to Colombia, take a rest, and launch your presidential campaign?

[Lleras] [Words indistinct] presidential campaign. I have not decided absolutely anything. It is too premature. The work of guiding this Embassy has taken all my time, so one will have to think about that later on, after some good vacations.

[Montoya] Mr. Ambassador, have you ever felt, as they say in La Luciernaga, that you represent a farm that belongs to President Clinton?

[Lleras] Well, let me think. After a while one begins to feel, not as a representative of a farm that belongs to President Clinton, but suddenly as if one were the representative of an old province in the Roman empire.

[Arizmendi] Have you felt that you have been sufficiently backed or supported by President Samper's administration or Mr. Samper himself?

[Lleras] Yes, of course, yes. The problem is that the public administration in Colombia is rather disorganized. I am not just referring to this administration but to all the previous ones. The foreign service does not really have a technical organization, and the country's institutional coordination has never taken place over the years, as I recollect. Therefore we are at an enormous disadvantage when we face an organized country such as the United States. What we have behind us is a disorganized bureaucracy that always leaves us at a disadvantage.

[Montoya] Dr. Lleras de la Fuente, there is much talk within the country on the differences of criteria — even confrontations — between Dr. Samper and Dr. Gaviria. Have you felt that Dr. Gaviria may have helped Colombia in some way? Or has he distanced himself from Colombia's interest while in the OAS?

[Lleras] That is a topic I do not keep very close tabs on because the Embassy's activities in Washington have little to do with the OAS. Nevertheless, this time, for example, a letter from former Colombian presidents has been collected and sent to President Clinton requesting certification. Dr. Cesar Gaviria has signed it together with the other former presidents. He did the same with a letter he wrote together with former President Lopez [words indistinct]. He is an international official who cannot always take part in active politics, but occasionally he delivers a statement to do with the country's situation.

[Arizmendi] The letter by the former presidents to the U.S. Government demanding certification for Colombia is already official. Can it be divulged, Mr. Ambassador?

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[Lleras] Yes, sir, of course. I am expecting the letter today from Bogota because it has the signatures of those who are in Bogota — Dr. Betancur, Lopez, and Mosquera Chavez. I have the written authorization to place the signatures of Dr. Turbay Ayala and Cesar Gaviria on it, who are in New York City. Thus the letter is already official, and I should be receiving the final text. I do not know the actual contents, because some small changes have been made since the original was written. The letter is arriving today; therefore [words indistinct].

[Montoya] Is the letter addressed to President Clinton?

[Lleras] Yes, sir.

[Arizmendi] You have been most kind, Mr. Ambassador. Have a nice day and thank you.

Colombia: Businessmen Ask VP To Lobby for Certification

PA2102000996 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 20 Feb 96

[From the "National Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision at 1830 GMT on 20 February — passages within quotation marks are recorded]

[FBIS Translated Text] Business associations today asked Vice President Humberto de la Calle to travel to the United States to lobby for the certification process. Meanwhile, representatives of these associations left for Washington this morning to make their own lobbying. En route to the United States, the National Business Council issued a new communique insisting on the resignation of President Ernesto Samper. What is clear is that they reportedly intend to separate the president's likely responsibility in the affair from Colombia's economic future.

[Unidentified reporter] The business associations believe Vice President de la Calle's presence in Washington would guarantee not only the certification of Colombia but would also help improve the deteriorated political relations with the White House; thus, prior to going to the United States, they asked de la Calle to start taking immediate steps to prevent the country from being punished commercially for a political problem:

[Association of Colombian Farmers President Juan Manuel Ospina] "A number of protocol actions are at stake, but the vice president could undoubtedly play a role in this issue.

[Cesar Gonzalez, president of the Banking Association of Financial Institutions] "If these types of steps the vice president could take achieve their objective, I would completely agree with it."

[Reporter] The business associations representatives took $45,000 with them to hire the firm (?Manat, Phelps, and Phillips), which will defend the interests of the Colombian production sector before those congressmen interested in stripping Colombia of the certification:

[Maria Isabel Patino, not further identified] "Considering attorney fees in the United States, this amount does not seem to be too exorbitant to us."

[Reporter] While some businessmen are on their way to the United States, the 15 production associations in Santa Fe de Bogota have proposed for the third time the temporary resignation of President Samper as the only solution to the political crisis.

Colombia: Business Groups Say U.S. 'Largest Supplier'

PA2102021096 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 19 Feb 96

[Report by Diego Suarez from the "National Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 1830 GMT 19 Feb]

[FBIS Translated Text] With figures in hand, the country's business groups hope to convince the United States to grant its certification. Business group leaders will travel to Washington tomorrow with a dramatic appeal. The National Newscast has obtained access to the document they will submit, practically telling the United States our economy is largely dependent on it.

[Reporter Diego Suarez] The message the business groups are bringing to the United States is as clear as it is anguishing. In this document, they tell the U.S. Department of State that the Colombian economy could collapse without the certification. The groups affirm that Colombia earned over $8 billion in the past two years thanks to our good, commercial relations with the United States:

[Begin Maria Isabel Patino, president of the Colombian Association of Flower Exporters, recording] There are various currents that propose imposing sanctions. I can hardly be confident of the outcome. Many things remain to be said and proofs to be presented. [end recording]

[Suarez] The business groups' statement reads verbatim: The United States is Colombia's largest supplier. It has affirmed that Colombia's trade balance will no longer be in the red thanks to the rise in exports to that nation. It added that the good climate marking Colombian-U.S. relations has benefited the agricultural, financial,

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and mining sectors, which have experienced a growth exceeding the most optimist estimates, according to the businessmen:

[Begin President of the Association of Colombian Farmers Juan Manuel Ospina recording] A government action to decertify us instead of helping solve the problem will simply make things worse, making it much more unpredictable how the country will overcome the difficulty it is experiencing. [end recording]

[Suarez] The groups will forward a copy of this document to the DEA and Robert Dole, the leading presidential candidate for the Republican Party.

Colombia: 'Paid Assassins' Kill Attorney General Lawyer

PA2002141796 Madrid EFE in Spanish 0258 GMT 20 Feb 96

[FBIS Translated Text] Santa Fe de Bogota, 19 Feb (EFE) — The police have announced that Colombian Attorney Clara Valencia Linares, who represented the Attorney General's Office at state security organizations, was murdered today in downtown Bogota. Her husband Hugo Otalora was wounded in the attack.

Police spokesmen in the Colombian capital said that Valencia was shot to death by two paid assassins traveling on a motorcycle.

According to various newspaper sources, Valencia Linares, who was in charge of disciplinary investigations against members of state security organizations, was shot four times.

The attorney and her husband received first aid at a veterinary clinic near the site of the attack, but according to sources at the clinic she died before a medical brigade could arrive.

The medical brigade took charge of Valencia's husband, taking him to a private clinic.

Valencia was traveling in an all-terrain vehicle when she was attacked by the paid assassins.

Colombia: Further on Killing of Attorney General Adviser

PA2102035096 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 21 Feb 96

[Report by William Calderon from the "Seven O'Clock Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 21 Feb — passages within quotation marks are recorded]

[FBIS Translated Text] There are no serious leads to clarify the murder of Clara Valencia, adviser of the Attorney General's Office. The authorities suspect, however, the murder could have been prompted by the investigation she was conducting on the charges against the security corps. William Calderon reports.

[Calderon] Her most recent mission was to discover the officials of secret corps who were improperly using vehicles seized from drug traffickers. The memorandum in which the acting attorney general has instructed her to conduct the investigation and a manuscript of the irregularities she detected in her first inspection of the police's Sijin [Metropolitan Judicial and Investigative Police] parking lot were found in her private car, where she and her husband were killed.

[Deputy Attorney Luis Fernando Montoya] "She neither told her boss nor the internal security corps that she or any of her relatives was being threatened. She was not planning to resign; for that reason, she lacked any system of protection."

[Calderon] She had been working at the Attorney General's Office for 15 years. Her colleagues and relatives deny she was under a death threat:

[First unidentified speaker] "No. She never had any threat.

[Calderon] "Had they thought of leaving the country?

[First speaker] "Just to go on vacation.

[Calderon] "She was not planning to leave because she was afraid she could be killed?

[First speaker] "No."

[Calderon] Last week, she was involved in a strange incident as she was leaving her home in the company of her husband. An armed man fired at them. On that occasion, the two were unhurt:

[Second unidentified speaker] "It all happened in a matter of seconds.

[Calderon] "Did you come out to help them?

[Second speaker] "When I came out she was in the car already. He yelled: Help! Help!"

[Calderon] The authorities are making a composite sketch of the killers.

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Colombia: Antioquia Businessmen Ask Samper To Resign

PA1602161296 Santa Fe de Bogota EL TIEMPO in Spanish 15 Feb 96

[Received via Internet]

[FBIS Translated Text] A group of businessmen from Antioquia Department has asked President Ernesto Samper to consider the possibility of stepping down as they believe Colombia is adrift, because "the country has no leadership."

A communique issued last night with the support of 148 businessmen, from different economic sectors, withdraws all support from the president and indicates that the proposed solution of the popular consultation is "unconstitutional and unsuitable."

Considering that this is a particularly difficult moment, in light of the accusation against the president submitted by the Prosecutor General to the Chamber of Representatives' Accusations Committee, this is the first time such a high-level group of businessmen has stated its opinion publicly to support the need of a presidential succession.

"Aside from the criminal culpability that might be eventually proved against the president, his political responsibility regarding the irregularities registered in his campaign is unquestionable, and as a candidate, he is the first one among those implicated," the businessmen's communique indicates.

In a stern tone, the businessmen said "the directors of the Samper campaign have made public confessions, which clearly and unquestionably admit that a substantial amount of drug-related funds was used to finance the said campaign."

The leaders, including several presidents of companies in Antioquia and top executives, note in the document that "the President of Colombia has no credibility, and the sole circumstance that he is being investigated and he is being pinpointed as responsible has undermined his drawing power and authority to lead and inspire all of the different sectors of society."

The businessmen base their concern, not only on the political upshots of the crisis, but also on the fact that this crisis might affect the economy and as a result, the welfare of Colombians.

Colombia: Finance Minister Asks Citizens To 'Stay Calm'

PA1602165396 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96

[From the "Seven O'Clock Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 16 Feb]

[FBIS Translated Text] Today Colombian Finance Minister Guillermo Perry said the economy stands firm despite the country's political crisis.

Bankers from various Latin American countries are meeting in Santa Fe de Bogota. This meeting is sponsored by the IMF. After inaugurating this event, Perry commented on the possible effects of the charges made by the prosecutor general before Congress.

[Begin Perry recording] We are following the constitutional process that President Ernesto Samper and various former presidents had requested. Therefore, we should stay calm to allow this process to continue working, and for the economy to continue functioning well as it has done until now. [end recording]

In addition, Miguel Urrutia, president of the Bank of the Republic, pointed out that these charges will not affect economic programs.

Colombia: Rodrigueses Said To Offer Samper Publicity

PA2102001096 Santa Fe de Bogota El TIEMPO in Spanish 20 Feb 96

[Received via Internet]

[FBIS Translated Text] Although from the start of Case 8000 President Ernesto Samper Pizano has denied the alleged ties of his campaign to Cali cartel money, and, specifically, to the money of cartel boss Miguel Rodriguez Orejuela, it seems that as far as the drug kingpins are concerned, they had tried to get close to Samper for many years.

First, in 1981 they included his name on the list of potential directors of the Banco de los Trabajadores, an offer Samper refused. Afterward in June 1985, via a letter sent by journalist Oscar Renteria Jimenez, then president of the Grupo Radial Colombiano [Colombian Radio Group—GRC], the Rodriguez brothers offered him free publicity for his senate candidacy.

In his letter, Jimenez Renteria offered Samper, on direct instructions from "El Ajedrecista" [Miguel Rodriguez Orejuela], the possibility of hosting a public service program free of charge and for an indefinite period.

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"Our president, Mr. Miguel Rodriguez, has instructed our management office to welcome you in the manner you deserve and offer you free of charge the possibility of hosting a public service program on our channels," the letter stated.

The Prosecutor General's Office has the original of the letter, and it would be one of the proofs regarding the alleged financing of the 1986 campaign that would take Samper to the Senate.

Asked about the significance of the letter, Oscar Renteria affirmed that the GRC was accustomed to offering air time and publicity free of charge to all candidates.

Herewith is the full text of the letter:

Santa Fe de Bogota, 6 June 1985, Ernesto Samper, Foundation for Popular Development. Dear Mr. Samper: Widespread sentiment, which is fortunately supported by the audience surveys conducted so far, offers the GRC a full return.

That pleases us and encourages us, with ties to individuals such as you, to continue moving forward and to gather greater successes in the difficult competition of the news media.

Our president, Mr. Miguel Rodriguez, has instructed our management office to welcome you in the manner you deserve and offer you free of charge the possibility of hosting a public service program on our channels.

Allow us this honor for a very long time.

Sincerely, Oscar Renteria Jimenez, GRC, general manager.

Copies: Mr. Miguel Rodriguez Orejuela, Financial Department, Files.

Colombia: Court Says Samper's Trial Should Be Public

PA2002042296 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 20 Feb 96

[From the "Seven O'Clock Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmission at 0100 GMT on 20 February]

[FBIS Translated Text] Today, the Constitutional Court made the important remark that Congress trials against the president of the Republic or any other high official with jurisdiction should be public, that is to say, without confidentiality of proceedings because such trials are political, rather than criminal. Therefore, in the absence of a law to the contrary, the people should be informed about whatever happens in the Accusations Committee during the trial in progress against President Samper.

[Begin Constitutional Court President Jose Gregorio Hernandez recording] Trials at the Congress against officials with special jurisdiction are public.

[Unidentified reporter] Who are these officials?

[Hernandez] The president of the Republic, magistrates of the Constitutional Court, Supreme Court of Justice, Council of State, Supreme Council of the Judicature, and the prosecutor general, exclusively. No one else. [end recording]

The Constitutional Court leaves clear that the current trial against President Samper by the House of Representatives' Accusations Commission is political, not criminal.

Colombia: Medina Implicates Serpa in Drug Money Case

PA2102001696 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 20 Feb 96

[From the "National Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision at 1830 GMT on 20 February]

[FBIS Translated Text] Santiago Medina insists on implicating Interior Minister Horacio Serpa. In the last few hours, the expansion of the depositions the former campaign treasurer made was leaked to the media. In it, there is a reference to a connection between Serpa and Victor Patino Fomeque, through a Valle politician, who could become a key witness in the process..

[Unidentified reporter] In the expansion of his depositions, Medina explained that Patino, who is one of the top leaders of the Cali Cartel, and Serpa met through Ignacio Londono, Jr., a Valle politician, who, according to Medina, is a close friend of the interior minister.

The former treasurer of the Liberal Party campaign maintained the following: When the campaign and the Liberal Party hosted a meal at the (Casa Medinas) Hotel, in which each plate cost 20 million pesos, Londono purchased eight tickets, and Patino was one of the people who accompanied him to this event.

Medina affirmed that he met Patino, who was accompanied by Londono, at the headquarters of the Samper campaign during one of the visits they paid to Serpa. Medina also said the following as part of his depositions: Londono played a significant role in the surrender of several leaders linked to the Cali Cartel, because he was the person in charge of contacting Minister Fernando Botero.

The former campaign treasurer also made statements on Patino's transfer from the Palmira Prison to Santa

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Fe de Bogota's La Modelo Prison: He told me in a very amicable manner that he did not believe it was advisable for me to engage in a fight with the president of the Republic.

Finally, Medina pointed out that the president did indeed know that his campaign was giving cash to the regional treasurers' offices: in the first round of elections, I personally gave Samper 30 million pesos in bills for aid.

Colombia: FARC Communique Demands Samper's Resignation

PA2102023196 Mexico City NOTIMEX in Spanish 1959 GMT 20 Feb 96

[FBIS Translated Text] Santa Fe de Bogota, 20 Feb (NOTIMEX) — Colombian guerrillas have demanded President Ernesto Samper's resignation as a way out of the country's crisis and reiterated the impossibility of talking with a government whose legitimacy has been questioned.

In a communique carried by the press in Santa Fe de Bogota this Tuesday, the Revolutionary Armed Forces of Colombia's [FARC] Secretariat said the scandal unleashed by accusations of drug corruption harms the possibility of a peace negotiation.

Samper is facing a Congress investigation as the result of charges that he allowed Cali cartel money to enter the electoral campaign that brought him to office in August 1994.

In its message, the FARC command pointed out: "This just proves that corruption has long been undermining important sectors of the national life, such as the Presidency, Congress, Armed Forces, industry, and traditional parties."

FARC agrees with the National Liberation Army [ELN] on the need for a meeting, which would be attended by representatives of the country's various sectors and would serve to seek a way out of the national political crisis.

The FARC and the ELN make up the Simon Bolivar National Coordinating Board [CGSB], an organization that withdrew from the peace talks in 1992 between the rebels and the Colombian Government in the Mexican state of Tlaxcala.

In the message, dated 11 February, FARC disqualifies the Samper administration and regards it as "corrupt and unjust."

In response to the communique released by FARC, the country's largest rebel group, Daniel Garcia Pena, coordinator of the Presidency's peace office, said the political crisis is not a valid argument to condition peace talks.

"If we must wait for a government that the rebels regard as legitimate to sit down and talk, there simply will never be any talks in Colombia," he said.

If they took up arms four decades ago, it was because they considered all governments alike. "It would be news if they said the opposite."

Colombia: Ex-Minister Requests Investigation of Minister

PA2102034096 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 21 Feb 96

[From the "Seven O'Clock Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 21 Feb]

[FBIS Translated Text] Former Defense Minister Fernando Botero Zea today asked Prosecutor General Alfonso Valdivieso Sarmiento to investigate Justice Minister Carlos Eduardo Medellin. According to Botero Zea, Medellin is seeking to obstruct justice with his latest remarks about the possible transfer to a special installation of all the individuals linked to Case 8000. This statement seeks to intimidate him so he will not testify before the Prosecutor General's Office, Botero Zea charged.

It is clear that what is being prepared is the threat of a radical change of my prison conditions, to the detriment of my personal safety and the emotional stability of my children, Botero Zea said in his communication to the prosecutor general.

Colombia: Committee Formally Reopens Case Against Samper

PA2102040196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0300 GMT 21 Feb 96

[Report by Hernando Marroquin Franco from "Caracol's Quarter Hour" news bulletin]

[FBIS Translated Text] [Marroquin] The Investigations and Accusations Committee of the Chamber of Representatives has formally reopened the case against President Ernesto Samper Pizano. In addition, the members of the Investigations and Accusations Committee have endorsed Heyne Mogollon Montoya, Committee president, as investigating representative. The other members of the Committee will back Mogollon:

[Begin unidentified speaker recording] Only one person will be in charge of the investigation, but there are

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differences: The designated person will submit permanent reports, and there will be total coordination among each and every one of the members of the Accusations Committee with the investigating representative. [end recording]

[Marroquin] The Accusations Committee has convened a new, special meeting for next 22 February to draft the writ whereby the investigation against President Ernesto Samper Pizano will be reopened.

Colombia: President Asks Governors To Continue Governing

PA2102041596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0315 GMT 21 Feb 96

[From "Caracol's Radio News" newscast]

[FBIS Translated Text] Santa Fe de Bogota — The best support I could receive from you in these times of crises is for you to continue governing, President Ernesto Samper has told governors.

Samper has said he was thankful for the expressions of solidarity he has received from the various regions and has said it has encouraged him to continue guiding the ship to a safe port despite the storm.

Just as the government has not lowered its energy level for a single minute, just as the government has not canceled its agenda, just as we have not stopped doing the things we have to do to show the country the results we have promised, I ask you to continue governing and continue fulfilling your administrative agendas, the president has said.

Colombia: Mogollon on Reopening Case Against Samper

PA2102044496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0315 GMT 21 Feb 96

[Report by Hernando Marroquin Franco; from the "Radio News" newscast]

[FBIS Translated Text] The Chamber of Representatives' Accusations Committee, based on the evidence provided by Prosecutor General Alfonso Valdivieso, today decided to reopen trial proceedings against President Ernesto Samper. During a special session, the committee reiterated that Heyne Mogollon Montoya should be the House's investigator and ruled out the possibility of having three House investigators.

[Begin recording] [Mogollon] The committee made the decision [words indistinct] and consequently to open a formal investigation on the president of the Republic.

[Reporter] Why this decision?

[Mogollon] Because the committee believes the evidence provided by Valdivieso and other evidence collected in the course of this special session gives us sufficient grounds to reopen a formal investigation.

[Reporter] [Words indistinct] representative investigator?

[Mogollon] The committee believes that the investigator's request for several investigators who would work together is groundless because of Article 329's provision. It is the same investigation and, therefore, according to the law, the same investigator who conducted the preliminary investigation should continue with it.

[Reporter] Will there be observers or assistants?

[Mogollon] It has been clearly stated that there will be a single representative investigator with one exception. There will be constant reports and complete coordination between the committee members and the representative investigator. In this instance, this work falls on yours truly, because this matter has already been fully debated and the law cannot change these guidelines. [end recording]

The committee has been summoned for a new special session to be held at 1000 on Thursday.

Ecuador

Ecuador: Foreign Minister on Upcoming Talks With Peru

PY1902201496 Quito Voz de Los Andes in Spanish 1700 GMT 19 Feb 96

[FBIS Translated Text] Ecuadoran Foreign Minister Galo Leoro Franco has stated his hope that the Peruvian Foreign Ministry will accept Ecuador's viewpoints.

The Ecuadoran Foreign Ministry was reacting to the Peruvian Foreign Ministry communique issued over the weekend that voiced the hope that procedures for discussing Article 6 of the Itamaraty peace agreement will be agreed on during the meeting scheduled for 22-23 February in Quito between Ecuadoran Foreign Minister Galo Leoro and Peruvian Foreign Minister Francisco Tudela.

Minister Leoro said that discussions regarding the procedures to be followed began at the meeting in Lima in January. We reached agreement on many issues but not on others, he said. Leoro reiterated that this will be the key issue in the talks in Quito.

Minister Leoro noted that an agreement on procedures to be followed could take some time because the two parties must come to mutual agreement on the issue.

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Ecuador: 12 Presidential Candidates Register

PY2002220196 Madrid EFE in Spanish 0917 GMT 20 Feb 96

[FBIS Translated Text] Quito, 20 Feb (EFE) — One dozen candidates have registered for the 19 May elections to replace the current conservative President Sixto Duran-Ballen. The deadline established by the Supreme Electoral Court for registration for the general elections expired today.

For the first time in the history of this Andean country six "independent" candidates, who are neither military men nor candidates of any of the 13 existing political parties, have registered for the elections.

The other six hopefuls are members of traditional political groups of various ideologies.

Should none of the 12 candidates obtain more than 50 percent of the votes in the May elections, there will be a runoff election with the two candidates with the greatest number of votes on 7 July.

Among the independent candidates are television announcer Freddy Ehlers, the second most popular candidate with 16-percent support; and retired General Jose Gallardo, former defense minister of the current administration.

There are also two evangelic priests, Rene Manangon and Miguel Sanchez, jurist Jacinto Velasquez, and one professor, Fernando Marroquin, who, the same as the rest of the independent candidates, needed to gather the signature of 99,000 supporters to be able to register (1.5 percent of the total voters).

As for the candidates proposed by the political parties Jaime Nebot, of the Social Christian Party, is the most popular candidate with 34-percent support.

Abdala Bucaram, of the Ecuadoran Roldosist Party, is running for the fourth time. There are also Rodrigo Paz of the Popular Democracy Party, the leftist Juan Castello of the Democratic People's Movement, former Air Force General Frank Vargas proposed by the Ecuadoran Revolutionary Popular Action, and Ricardo Noboa, who is running for the Liberal Party although he is independent.

Two women are running for the vice presidency: Rosana Vinueza, who is running with Ehlers, and Rosalia Arteaga with Bucaram.

The two women are former servants of the current regime: Vinueza is former social welfare vice minister and Arteaga was culture under secretary and later on education minister.

According to the latest polls conducted by private enterprises, Nebot is the most popular candidate followed by Ehlers, Rodrigo Paz with 14-percent support, and the rest of the candidates enjoy less than 7 percent of the electoral preference.

The candidacy to national deputy of Luis Macas, main leader of the most powerful organization of indigenous communities in Ecuador, the Confederation of Indigenous Communities of Ecuador [Confederacion de Nacionalidades Indigenas] (CONAIE), was another surprise as the deadline for the registration expired.

All authorities elected by the people, among them deputies, mayors, provincial prefects, and councilmen, among others, will be renewed during the May elections.

Ecuador: Presidential Hopeful on Negotiations With Peru

PY2102002796 Madrid EFE in Spanish 2210 GMT 17 Feb 96

[FBIS Translated Text] Lima, 17 Feb (EFE) — Presidential hopeful Jaime Nebot, who is first in Ecuadoran preference polls, stated on 17 February that if he wins the 19 May general elections, he will be "flexible" in tackling the negotiations aimed at finding a definitive solution to the territorial conflict with Peru.

In remarks to foreign correspondents, Nebot said that if he is elected president, he will act "with flexibility in the negotiations to achieve a definitive agreement" with Peru on the basis "of respect for history, Ecuadoran rights and the dignity of the country."

Various private opinion polls place Nebot in a solid first place among voters preferences with 34 percent, while his immediate contenders Freddy Elhers and Rodrigo Paz have obtained 16 and 14 percent, respectively.

Regarding the alternative of having to choose between war and the decision to surrender national interests, Nebot said: "There are many ways to handle these two undesirable situations. Some alternatives for finding an honorable negotiation, and a lasting and dignified peace agreement with Peru may be more traditional and conventional and others more imaginative."

Over the past 54 years, Ecuador and Peru have waged three wars because of territorial conflicts in various parts of a 78-km unmarked border area in the Amazon region.

The most recent armed confrontation occurred from 26 January to 28 February 1995 in the headwaters of the Cenepa River valley, 350 km south of Quito.

Nebot said: "As soon as the mechanism (to solve the conflict) is outlined, we believe it will be up to the

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Ecuadoran people to ratify this negotiated formula," to legitimize a possible solution with Peru.

He added: We propose the holding of a plebiscite because we must have a juridical framework to reform the Constitution; therefore, it is not only a matter of achieving an honorable pact but of resolving a juridical issue.

Nebot said: "It is very serious when a government believes that it can act without the specific support of the people. He said that "to talk too much, sometimes continuously or unnecessarily about these (border) issues, worsens the situation and does not contribute to achieving a solution."

Ecuadoran Foreign Minister Galo Leoro and his Peruvian counterpart Francisco Tudela are holding talks with the purpose of finding a mechanism that will allow the achievement of a definitive solution of the bilateral territorial conflict.

Paraguay

Paraguay: Argentine Request for Tax Changes Rejected

PY1702012896 Asuncion NOTICIAS in Spanish 29 Jan 96 p 24

[FBIS Translated Text] Referring to the situation that has arisen with Argentina regarding border trade restrictions and the fact that [Argentine Economy Minister] Domingo Cavallo wants Paraguay to add the Argentine VAT to imports from the neighboring country, [Industry and Commerce] Minister Ubaldo Scavone emphatically stated that ours is a sovereign country, and consequently it will not modify its tax policy. Therefore, it will not increase its taxes, as Argentine authorities have suggested.

In this respect, the minister stressed that taxes will not be increased for two reasons: First, high taxes reduce resources for development for the private sector; second, the budget, although we are experiencing difficulties in this regard, is now balanced.

He stressed that "the government does not need to load the private sector with taxes for the budget any more than it has to, and there is not even an agreement that obliges us to place our taxes at the same level as theirs."

He indicated that until the negotiations regarding the compatibility of taxes and tariffs begin within the framework of the Mercosur [Common Market of the South], it is not possible to oblige a country to adopt a single tax model.

"Paraguay is a sovereign country and until Mercosur begins to evaluate the chapter pertaining to the compatibility of the macroeconomic parameters, in other words, the same internal tax levels, a homogeneous exchange policy, and a community account where tariffs are concerned, then a country cannot be obliged to adopt a single tax model, specifically, the leveling of internal taxes with a single tax model," the minister said.

In this respect, he added that the Paraguayan authorities are demanding compliance with the agreements signed within the framework of the Treaty of Asuncion.

Foreign Minister Luis Maria Ramirez Boettner was another minister who rejected Argentina's intention.

It must be recalled that Cavallo announced that he would propose to the Mercosur countries that both Paraguay and Bolivia be considered as internal markets where taxes are concerned with the objective of Argentine products paying the 21 percent VAT locally.

The foreign minister categorically rejected Cavallo's proposal.

Within the framework of integration, it is not viable for our country to collect Argentine taxes locally.

What the Argentine Government must do is prevent the situation wherein products that it exports to Paraguay return to Argentina free of the requirement to pay taxes. He recalled, however, that this is an internal Argentine problem.

He stated that the Paraguayan Government does not sponsor the triangulation of Argentine products that leave that country without paying internal taxes.

He acknowledged that there are great differences in the tax levels of our country and Argentina, but he indicated that much has been done to harmonize levels within the macroeconomic framework.

He added that it is not a simple problem that can be resolved from one day to the next.

He emphasized that Paraguay cannot increase its taxes to the levels of the other member countries of Mercosur, nor can it be expected that the other countries will lower their taxes to Paraguayan levels from one day to the next.

Peru

Peru: General Sees 'Conflict,' Not 'Dispute' With Ecuador

PY1602214696 Madrid EFE in Spanish 1548 GMT 16 Feb 96

[FBIS Translated Text] Lima, 16 Feb (EFE) — Peruvian diplomats have reported today that during the meeting with his Ecuadoran colleague General Jorge Ortega at

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the Yaupi-Santiago border marker, General Nicolas de Bari Hermoza, chairman of the Peruvian Armed Forces Joint Command, spoke of a territorial "conflict" [contencioso], and not of a territorial "dispute" [diferendo].

Ecuadoran Armed Forces Commander Paco Moncayo said on 14 February that he is pleased "because the chairman of the Peruvian Armed Forces Joint Command had acknowledged the territorial dispute with Ecuador."

The same sources added that this term is "unacceptable" for Peru because, as has been reasserted by the Peruvian Foreign Ministry, discussions over territorial issues must be conducted within the framework of the Rio de Janeiro Protocol and be subject to the ruling issued by Brazilian Captain Braz Dias de Aguiar.

According to experts, there is an "important" difference [between the two terms] because Hermoza's statement upholds what is established in the 1942 Protocol, "while the term attributed to him does not."

In the speech he delivered on 11 February, Hermoza said: "We hope that this conflict, which is about to be resolved through negotiations, will be the last one, and that it will show the world that only by complying with international laws will we achieve a definitive solution to this territorial conflict [contencisoso territorial]."

Sources close to the Peruvian Foreign Ministry have stated that the term "territorial conflict" alludes to a territorial controversy that is subject to international law on the bases of juridically valid documents, such as the 1942 Peace and Border Treaty and the ruling of the award by Brazilian Captain Braz Dias de Aguiar, who years later ratified the border line between the two countries.

However, diplomats have asserted that the expression "territorial dispute," which Gen. Moncayo intends to attribute to Gen. Hermoza, refers to a disagreement, a difference of opinion that intends to establish a right which is not necessarily based on juridical documents.

They said: "The problems between Peru and Ecuador do not encompass a territorial dispute because there are no disagreements over rights. These have already been established and the only thing that remains to be done is for Ecuador to adhere to international laws. The contrary would be to presuppose the nonexistence of these laws."

Hermoza and Gen. Jorge Ortega held a meeting on 11 February on the Ecuadoran-Peruvian border, at the Yaupi-Santiago border marker. The meeting was also attended by military representatives from the guarantor countries of the Rio de Janeiro Protocol.

Peru: Tudela Presents Historical Documents on Border Issue

PY2002022896 Madrid EFE in Spanish 2032 GMT 19 Feb 96

[FBIS Translated Excerpt] Lima, 19 Feb (EFE) — Foreign Minister Francisco Tudela said today that the only "subsistent impasse" or pending issue in resolving the border conflict between Ecuador and Peru is the fulfillment of the Rio de Janeiro Protocol, which was signed by the two countries in 1942.

This is how Francisco Tudela explained the Peruvian position in relation to Ecuador's stance that there are several "subsistent impasses" in the path to finding a final solution to the border conflict that lead to an undeclared war between the two countries one year ago. Tudela reemphasized the Peruvian position two days before leaving for Quito after presenting a book or recompilation of historical documents on the Peruvian-Ecuadoran border conflict in Lima today.

Tudela also said that he will be received by Ecuadoran President Sixto Duran-Ballen during his stay in Ecuador. "There is an environment of understanding" between Peru and Ecuador, said Tudela, who added: "Let us not fail to take advantage of this occasion to support Latin American integration and future generations."

Today's presentation of the book "The Peruvian-Ecuadoran Border. The Arbitration of Braz Dias de Aguiar," which was edited by the magazine of the Peruvian Diplomatic Academy, became a way for the Peruvian Government to strengthen Peru's position.

The books sustains, through historical documents, that in 1945 Ecuador officially accepted the resolution of Brazilian Captain Braz Dias de Aguiar, who established the border between the two countries within the framework of the Rio de Janeiro Protocol, which was signed in 1942 by the Lima and Quito governments after the 1941 war.

"Laws grant international treaties an irreversible character," said Tudela during the presentation of the historical documents. He added that the documents in the book published by the Peruvian Diplomatic Academy "have a consistency that cannot be revised."

The recompilation of historical documents, which has 351 pages divided into 40 chapters and six annexes, includes a 1945 exchange of letters by the presidents of Peru and Ecuador, Manuel Prado and Jose Maria Velasco Ibarra, respectively. In the letter they seem to accept the resolution of Dias de Aguiar as a peaceful and final solution to the border conflict.

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The book also tries to prove through documentation that Ecuador knew about the existence and extension of the Cenepa River when it accepted the arbitration of Dias de Aguiar. The apparent discovery of this river after the Rio de Janeiro Protocol was signed is what led Ecuador to denounce the protocol.

Headlines and articles from the Ecuadoran press during that time which acknowledged the arbitration of Dias de Aguair as valid and definitive, as well as favorable to Ecuador, are also included among the documents.

The presentation was made at the Peruvian Diplomatic Academy in front of a group of ambassadors accredited in Lima and representatives of the media. Ecuadoran Ambassador Gustavo Ruales delegated his presence to the first secretary of his embassy.

Tudela also announced that the recompilation of documents is available, as of today, on the Internet. [passage omitted]

Peru: Nation Not To Ask for Pardoning of Japanese Debt

PY1902104596 Madrid EFE in Spanish 1832 GMT 15 Feb 96

[FBIS Translated Text] Lima, 15 Feb (EFE) — Peruvian President Alberto Fujimori said yesterday that Peru will not request the pardoning of its debt to the Japanese Government during the upcoming meeting of the Paris Club, to which it owes $9 billion. The Paris Club meeting is to be held in April.

With this measure Peru guarantees that the Japanese Government will not suspend its economic aid to Peru, said Fujimori during a visit to several Lima districts yesterday.

Japanese Ambassador Morihisa Ahoki said on 13 February that a Japanese Government mission is in Lima to evaluate a credit of $400 million for several projects.

Ambassador Ahoki said that approval of the loan depends on the Peruvian Government not requesting the pardoning of its debt with Japan during the Paris Club meeting.

Peru will receive Japanese credits for the construction of the Ilo (Peru)-Desaguadero (Bolivia) highway, the Arequipa-Puno highway, the construction of the Paucarpampa hydroelectric plant (in the Andean region), and the installation of a water treatment plant for Lima.

Ambassador Ahoki said that his country would accept a restructuring of the Peruvian debt but only the part related to interest; the remaining portion would have to be paid in full.

Foreign debt experts who were consulted by the Lima daily GESTION said that this is not the first time Japan has exerted pressure on Peru to negotiate some agreement with international creditors.

In 1990 the Japanese Embassy conditioned the granting of a $4-billion loan to the signing of a Bunching of Rights Program with the IMF. The program was signed in September 1991 and served as endorsement for the first restructuring of the debt with the Paris Club.

The experts pointed out that a second three-year program is being negotiated with the IMF (to replace the one reached in 1993), which will serve as endorsement for the upcoming Paris Club meeting. It is estimated that Peru owes about $9 billion to that club.

Peru: Congress Approves Petroperu Privatization Process

PY1602195796 Madrid EFE in Spanish 1915 GMT 15 Feb 96

[FBIS Translated Text] Lima, 15 Feb (EFE) — The privatization of the state petroleum agency, Petroperu, has won the battle in Congress by receiving the majority support of the Congress Permanent Commission, while the opposition submitted divided proposals.

The ruling Change 90-New Majority [C90-NM], independent groups, and a faction of the Union for Peru Movement (UPP), headed by former UN Secretary General Javier Perez de Cuellar, supported Petroperu's privatization and made only some objections.

Those who expressed their opposition were United Left [IU] members and former IU members who are currently UPP members, who agreed that Petroperu must continue to be managed by the state "because it is a strategic company dealing with national development and security."

The congressmen's position about the Petroperu privatization was discussed during the open debate that ensued in Congress after the briefing that Prime Minister Dante Cordova gave on 14 February.

Cordova reasserted the government's decision to privatize Petroperu on the basis of technical reports drafted by Peruvian and foreign experts and consultants about the suitability of the measure.

Despite the vast majority support for the privatization of Petroperu, several objections were made to the government's privatization plan. These were mainly related to the social impact that the process would have because it would presuppose fewer jobs and an uncertain future for Petroperu retirees.

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Congressmen also objected to the five-year term of the right to veto the government will exercise over certain decisions dealing with security matters made by the new owners of the several companies that comprise Petroperu and stated that this right to veto should be unrestricted.

The UPP was split among those who rejected the privatization outright and those who supported the majority and only raised objections to the project. In the end the two factions centered their debate on ideological issues.

The "battle" in Congress took place at a time in which Petroperu unions and the leftist opposition failed in their attempt to stage a strike throughout the entire northern region to halt the Petroperu privatization process.

After 13 days of staging a partial strike, workers on strike decided on the evening of 14 February to go back on their decision and suspend the strike without having achieved any of their objectives.

In compliance with the government's timetable, the Petroperu privatization process starts on 26 March with the auction of 100 percent of the Petrolube [Petroperu lubricants plant] stock and it is scheduled to conclude within one year.

In addition, the privatization process also calls for either the partial or total privatization of two refineries, two oil fields, several port terminals, and the North Peruvian oil pipeline, which takes oil from the Peruvian Amazon region to the northern coast.

Uruguay

Uruguay: PRC's Vice Premier Zhu Interviewed

PY2102020096 Montevideo EL OBSERVADOR in Spanish 5 Feb 96 pp 18, 19

[Interview with PRC's Vice Premier Zhu Rongji by EL OBSERVADOR reporter Martin Sarthou; place and date not given]

[FBIS Translated Text] [Sarthou] In what spirit does China await the reunification of Honk Kong and Macao in 1997 and 1998, respectively? What is China's outlook on this?

[Zhu] I am of the opinion that there will be no major problems for the punctual repatriation of Hong Kong and Macao because pursuant to the joint Sino-British declaration, Hong Kong will once again be part of our homeland and we will resolutely apply the principle of "one homeland, two systems," i.e. Hong Kong will enjoy a high degree of autonomy and will be governed by its own citizens. As of 1 July 1997, the economic, political, and social systems in Hong Kong, as well as the lifestyle of its inhabitants, will not undergo major changes.

Hong Kong will enjoy a special administrative and customs status. Pursuant to Hong Kong's basic legislation, we are going to maintain the internationally acknowledged status of the island as a financial, maritime, and commercial center.

We will seek Hong Kong's stability and prosperity and we are convinced that it will play the role that befits it in the world.

In other words, Hong Kong will maintain its laws and systems, as well as all its distinctive characteristics and privileges, which are beneficial to it. There will be no change whatsoever. On the contrary, Hong Kong will continue upon the path of ongoing development.

Macao's situation is comparable to that of Hong Kong. There will be no problems at all.

[Sarthou] It has been insistently denounced from the United States that the PRC Government has been exerting fierce pressure on Taiwan — which is in the middle of an electoral process — and has even prepared a military attack on Taiwan. What is the PRC's stance vis-a-vis Taiwan at present and is there any truth in those allegations made by the United States?

[Zhu] As far as the problem of Taiwan is concerned, we emphatically disagree with the erroneous policy [Taiwanese President] Li Teng-hui is pursuing, namely an independent Taiwan or two different countries — the PRC and the ROC. Taiwan has always been an integral part of the Chinese territory and there is no doubt whatsoever that, no matter how, it will return to the mainland. It goes without saying that we are trying to further a reunification of China through peaceful means.

This notwithstanding, we do not rule out the use of force because there are always some foreigners who provoke us by encouraging Taiwanese authorities' attempts to secede from the homeland and become independent.

It should be pointed out, however, that we are not going to resort to the use of force unless things get to a point when we are obliged to do so. China's sovereignty over Taiwan warrants the use of force and therefore, no foreign country is empowered to interfere in this matter.

Now, turning to rumors that China is preparing for a possible attack on Taiwan, they are just the doings of some foreigners who are raising the dust. Now, what I do not think is an unsubstantiated rumor, but on the contrary, a very real one, is the fact that the American 7th Fleet is sailing across the Strait of Taiwan.

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We are grateful for the Uruguayan Government's stance on China and we hope it will continue furthering a one-China policy and refrain from establishing relations with Taiwan.

Taiwan's attempt at joining the United Nations by paying $1 billion is tantamount to an insult to the organization.

We, on our part, are fully convinced that China will be reunited and have no doubt whatsoever that this will come to pass.

[Sarthou] China's opening drive and economic reform gained momentum when you took up the reins of the economy and finance portfolio. Would you like to comment on the strides China has made and on the difficulties it now faces within the framework of these reforms?

[Zhu] In 1979, we embarked upon an opening drive and economic reform policy, which were modeled on Deng Xiaoping's thoughts on the construction of a Socialist nation having Chinese characteristics.

The furtherance of this opening drive and economic reform policy over the last 15 years has been crowned with tremendous success. China has been growing by an average 9.5 percent per year. It should be pointed out, however, that China's economic growth over the last four years has ranged between 10 and 13 percent, which is quite impressive. At present, under the Communist Party's rule and the administration of President Jiang Zemin, we are writing new success stories.

Nevertheless, we must also acknowledge that we have come across serious difficulties such as the overheating of the economy and an excessive increase in retail prices.

These problems are not extremely serious in China because the highest rise in prices occurred in 1984-1985 and in 1993-1994, when prices shot up by 20 percent. Still, we were able to roll back inflation on both occasions. As of 1994, we launched a major macroeconomic reform both regarding our financial and tax systems, as well as our fiscal, foreign trade, and foreign exchange policies, which enabled us to score an outstanding success.

The financial reform was the most successful. Thanks to the reform of the foreign exchange policy, there has been a substantial increase in China's international reserves, which totaled $75 billion last year. The global volume of China's foreign trade in 1995 added up to $280 billion.

Over the last three years, some $30 billion have been poured into China annually in the form of direct foreign investment. Accrued foreign investment amounts to $130 billion.

We have thus considerably improved our country's balance-of-payments position. We envisage that in the forthcoming five or 10 years, China's economy will grow at an annual rate of more than 8 percent and that we will have a single-digit inflation, i.e. it will be lower than economic growth.

[Sarthou] As a result of your visit, it was learned that Uruguay is willing to support China's incorporation into the WTO. Argentina and Chile were the previous legs of the tour that you are making of the southern cone. The Brazilian president made a state visit to China not long ago. What support did China obtain from our neighbors concerning this issue?

[Zhu] That is right. We held a most memorable and amiable meeting with President Julio Maria Sanguinetti. We also held fruitful meetings with the vice president of the Republic, with Foreign Minister Alvaro Ramos, and with a considerable number of cabinet ministers, who also held talks with the Chinese ministers who are part of my entourage in this tour of South America. There was a lot of common ground between us and all the Uruguayan authorities reaffirmed that they will continue to pursue a one-China policy and that they will endorse China's incorporation into the WTO.

Argentina and Chile have voiced the same position as Uruguay concerning their support at the WTO.

During the state visit that Brazilian President Fernando Henrique Cardoso made to China, I met with him because he is an old friend of mine. He told me that Brazil will fully endorse China's incorporation into the WTO.

I would particularly like to mention that during the meeting with the Uruguayan head of state, we broached the subject of a possible Sino-Uruguayan cooperation in joint business ventures ["joint ventures" in English] to undertake certain investment projects in Uruguay. To that effect the Bank of China will offer a line of credit to support the stand-by [preceding word in English] arrangement.

Sanguinetti was most enthusiastic and interested in this idea and said that these projects should be undertaken right away. I believe that when Foreign Minister Ramos travels to China, we will have made some progress in this regard.

[Sarthou] How would you term bilateral relations between China and Uruguay not only in terms of bilateral trade but also at diplomatic and political level?

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[Zhu] Since the establishment of diplomatic relations between China and Uruguay in 1988, bilateral ties have evolved splendidly and have been consolidated both in what pertains to political, economic, and cultural relations as well as military cooperation. The Chinese Government deeply appreciates the Uruguayan Government's resolution to pursue a one-China policy and its support for China's position on human rights. There has been mutual aid and assistance in matters pertaining to foreign policy. This is why our visit to Uruguay seeks to further closer ties of friendship between both countries.

[Sarthou] Could you further elaborate on bilateral commercial relations?

[Zhu] Following the reestablishment of diplomatic relations seven years ago, our economic and commercial relations developed in a most satisfactorily manner. Last year, bilateral trade totalled $130 million. China has become Uruguay's third most important trade partner and the leading purchaser of Uruguayan wool.

Commercial relations are doing well. We are going to import more wool in the future because trade flows will become stable. Nevertheless, we contend that the mere exports of agricultural products to China will not be enough for Uruguay because it will not be able to substantially increase bilateral trade. This is why in the course of this visit we proposed undertaking joint ventures [two preceding words in English] to build assembly plants for electronic products and machinery as well as plants for the manufacturing of light industry products in Uruguay and their subsequent export to other countries.

This will be very beneficial to Uruguay because it will enable it to increase tax receipts and partly solve the problem of unemployment.

In general terms, Sino-Uruguayan relations are excellent and in the future will be even better.

[Sarthou] What immediate actions will be taken to set into motion the agreements reached as a result of the talks held during the visit of your delegation to Uruguay?

[Zhu] The present visit of the Chinese Government delegation to Uruguay was crowned with success. We were touched by the warmth of the welcome the Uruguayan Government and people have extended to us.

We had the opportunity of visiting a wool tops [preceding word in English] factory and a ranch on 3 February. This undoubtedly contributed to deepening our understanding of Uruguay and of Uruguayans.

In addition, I would like to convey to the Uruguayan Government and people —and particularly to President Julio Maria Sanguinetti — our most sincere gratitude.

I am in a position to announce that the Uruguayan foreign minister is going to visit China this year and that the vice president of the Republic will also visit the PRC in October. I have also conveyed to President Sanguinetti President Jiang Zemin's invitation to make a state visit to China next year and I am sure they will all be given the same cordial and warm welcome the Uruguayans have given to us.

Each one of the ministers who is accompanying me on this visit to Uruguay has extended to their Uruguayan counterparts an invitation to visit our country in the course of this year so as to further cement bilateral relations between China and Uruguay, which, I would like to reiterate and underscore, are excellent.

Venezuela

Venezuela: Alleged ELN Rebels Kill 2 Guards at Border

PA2002171896 Santa Fe de Bogota EL TIEMPO in Spanish 19 Feb 96

[Received via Internet]

[FBIS Translated Text] Arauca — Traffic over the Arauca River, between Arauquita (Arauca) and La Victoria (Apure State in Venezuela), was suspended following the murder of two Venezuelan guards by unidentified individuals in an incident that took place last Saturday, 17 February.

Meanwhile, neither the Venezuelan nor the Colombian authorities were able to identify the perpetrators of the crimes, which caused a heavy military presence on both sides of the border.

Since early morning yesterday, Venezuelan troops began to intensify air and land surveillance operations in Apure State.

The incident paralyzed trade in the town of La Victoria because Colombians refrained from going shopping as usual on Sundays.

In Arauquita, the Army and police conducted patrol operations in rural areas and set up mobile checkpoints at several key points in the area, where ELN [Army of National Liberation] and FARC [Revolutionary Armed Forces of Colombia] guerrillas operate.

Witnesses to the attack said that a little after 1545 on Saturday, 17 February, two men in civilian clothes arrived at La Llovizna gasoline station, located on the

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outskirts of La Victoria. There the men argued for several minutes with the only two guards there and unexpectedly shot them with revolvers, leaving them seriously wounded.

The two men later stripped the guards of their two rifles and fled in a small boat down the international waters of the Arauca River.

Later, the guards were picked up by members of the community, who took them to a health center in Guasdualito, but they died before they arrived.

According to preliminary investigations, Colombian guerrillas are to blame for this crime, especially members of the ELN, who just wanted to keep the weapons.

Gasoline smugglers, however, abound in the region. They buy the fuel at low prices in Venezuela and later sell it at higher prices in Arauca.

The Venezuelan National Guard has stepped up surveillance operations in the area in the last few months to avoid this type of illegal trade.

During the last three years, at least four guards have been murdered by alleged members of the Colombian guerrillas in the town of La Victoria.

The mayor of Guasdualito, Jesus Antonio Rojas, was kidnaped by ELN members in the vicinity of this town last year. A Corpoven [Venezuelan Petroleum Corporation] engineer was killed in an unsuccessful kidnaping attempt.

Venezuela: Nation Taking Steps To Stop 'Hooded Ones'

PA2002011596 Caracas EL GLOBO in Spanish 16 Feb 96 p 2

[Report by Judith Martorelli]

[FBIS Translated Text] Minister Ramon Escovar Salom has said that the government is taking the necessary measures to stop the hooded ones, as he calls them, whom he described as aggressors of Venezuelan society and as a shame adversely affecting the dignity of the country and its universities.

I said this when I was the attorney general, and I have not changed my position, he pointed out. According to the interior minister, "the government is acting seriously to stop those who are interested in using universities as a center for gossip and who have falsified and deceived the autonomy of universities."

He warned that the government will use the Penal Code (which stipulates prison terms of three to six years) against these people. He expects the support of the public for this.

This is the government's decision after Central University of Venezuela authorities have affirmed that the university autonomy was violated by a police action that took place on 15 February. The PM [Metropolitan Police] intervened in a violent demonstration to respond to the protest university students and teachers staged against the hooded ones.

According to Escovar, the university campus was not raided, even though he defended the possibility of police bodies using the public roads located inside the university campuses if it were necessary for public security reasons.

In this matter, the government opinion, which was voiced by Caracas Governor Asdrubal Aguiar, who is in charge of the PM, is that the university campus (stipulated as inviolable) is defined as the installations used for administrative, academic, and research activities.

The 15 February demonstration left 10 people arrested, whose political affiliation, the minister said, is being investigated. The Penal Code will be applied to some of them, and the Minors Protection Law, to the others.

[Martorelli] Will these measures be implemented in any other types of protests?

[Escovar] No, they have nothing to do with those who are legally staging protests over the cost of living or public services. The government admits that there is an acceptable reason for social protests. What we cannot allow is people wearing hoods to commit crimes. If they act as criminals, they will be treated as criminals. We do not have to deceive ourselves; the language (violence) the hooded ones are using is not the language of Venezuelan society.

Venezuela: BCV Recommends Lifting Exchange Control

PA1602204396 Caracas EL NACIONAL in Spanish 14 Feb 96 p 1E

[Report by Fabiola Sanchez]

[FBIS Translated Text] The Technical Commission of the Central Bank of Venezuela [BCV] has recommended to the government to lift the exchange control before May in order to hinder current speculations on the bolivar devaluation at the Brady bonds market.

According to BCV sources, over the past two weeks quotations for the Brady bonds at the Caracas Stock Market — which have raised the Brady dollar up to 426 bolivares — have created an additional depreciation gap (in respect to the official exchange rate of 290 bolivares per dollar), a gap that is higher than 40 percent. Experts believe that this situation has caused

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serious disruptions in the Venezuelan economy because of ongoing speculations regarding a devaluation of the national currency.

Sources from the Finance Ministry said the BCV's new monetary policy — which was enforced on 5 February — did away with the government's strategies to control the Brady bonds market until the exchange control is lifted.

The BCV's monetary policy has created uncertainty, prompting many investors to seek refuge in the Brady dollar to guarantee good profitability and to protect themselves from any new "sneak attack" from the BCV.

Sources said that 24 hours after the new minimum cash reserve and the one-point drop of fixed interest rates were announced, the Brady dollar rocketed to 7.89 bolivares, and it closed at 392.09 bolivares on 1 February. Over the past 13 days, it has been impossible to hinder the escalation of the Brady dollar. Yesterday, the Brady bonds market closed at 426.36 bolivares.

Confusing Outlook

In order to counteract speculations of a devaluation, which the Brady dollar has generated, the Technical Commission has suggested that the government accelerate the removal of exchange control within the next two months.

According to the officials, it is unadvisable to lift the exchange control before implementing an adjustment plan because this could generate strong distortions in the economy that might complicate the program's implementation. They suggest that the new exchange policy should be implemented along with other measures contained in the program. The IMF supports this position.

Regarding the possibility of lifting the exchange control without the IMF's financial support, they warned that right now the level of international reserves is inadequate to stand the impact of this measure.

They pointed out that the implementation of another devaluation before the exchange control is lifted — which was suggested by some of Finance Minister Luis Raul Matos Azocar's advisers — would be a great mistake because it would cause a more acute depreciation of the exchange rate. They stated that the negative consequences of such a measure became evident in December when the bolivar was devalued to 290 per dollar.

Venezuela: BCV Head Views Exchange Control System

PA1802025596 Caracas EL UNIVERSAL in Spanish 15 Feb 96 p 2-1

[Report by Elides J. Rojas L.]

[FBIS Translated Text] Caracas — In response to the announcement Development Minister Werner Corrales made at the WTO [World Trade Organization], Domingo Maza Zavala, Central Bank of Venezuela [BCV] director and former member of the Exchange Administration Board [JAC], said that the exchange control system wore out a long time ago and that the time to change the system has come.

Maza affirmed that "government actions point to a change in the current exchange control system in the very short run. The system wore out and is showing its shortcomings. Undesirable maladjustments, distortions, and restrictions in the exchange market are becoming evident to the detriment of the normal development of certain economic agents, as is the case with the automotive, spare parts, medicines, or airline sectors."

"The options," Maza went on, "to obtain foreign exchange are few. The means to do it legally are contemplated in laws on the matter. However, the Brady Bond market exists, which is a legal parallel market, the operations of which have triggered an unjustified and speculative increase in the implicit exchange rate, thus distorting the market, prompting devaluation expectations, pressure on the exchange market, and, naturally, having a bearing on prices and maladjustments in the economy.

Maza said: "We have unsuccessfully tried to neutralize this market, because, more than regulations, we need to change the exchange market. We need clarity for the economic agents; however, it cannot and must not be done in an isolated fashion. Right now, real interest rates are negative, to cite just one example. This element alone would be sufficient in a presumed lifting of the exchange control for everybody to do his utmost to resort to the exchange market, thus prompting an abrupt fall in reserves and, undoubtedly, causing the exchange rate to skyrocket."

The BCV president stressed what has been his draft economic plan, which was somehow included in the Agenda Venezuela: doing away with inflation, adjusting the domestic accounts, streamlining public spending, giving real rates positive values without harming the financial system but by strengthening it, balancing wages, and creating the appropriate conditions for investments and production. "As said before, a set of simultaneous

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organic measures is necessary, implemented in a coordinated fashion."

[Rojas] **What is the strategy to lift the exchange control?**

[Maza] We have worked on a gradual lifting, not on a complete lifting. The idea is to deregulate the exchange rate for the current account; that is, to deregulate the exchange rate for the imports and exports of goods and services, but not necessarily for tourism or business trips, personal money transfers, or private debt interests. We must have a control on the capital account.

The option of resorting to a clean or dirty free floating system does not seem to be the most convenient option. Finance Minister Luis Raul Matos Azocar already reported what the system to implement could be: that of incorporating flotation bands. "We start by establishing the equilibrium exchange rate that would be the axis of the band and then setting the minimum and maximum fluctuation limits. The BCV would intervene to correct any deviations by selling or purchasing foreign exchange, according to the case."

Airlines

[Rojas] **What solution do you see for the airlines' demands?**

[Maza] The shortage of exchange, of which everybody is aware, interrupted the flow of dollars to the airlines; however, the main problem is the petition to recognize the exchange losses triggered as a result of the December devaluation; that is, to recognize the difference between the 170 bolivar and the 290 bolivar exchange rates applied to the tickets sold in a specific timeframe.

In this regard, the JAC, in my opinion, is not authorized to decide or make this recognition. It has been said that the Supreme Court of Justice could handle this case. However, there are legal records reaffirming the principle that the nation cannot guarantee exchange losses; companies must accept this exchange risk. At the time of making a decision on the exchange rate, no country can forewarn, and, therefore, it cannot grant exchange guarantees.

[Rojas]**Legal actions were announced...**

[Maza] However, it is my personal opinion that we are dealing with a political problem, and its solution must be a political solution. The availability of foreign exchange is essential for the airlines' operations, and, faced with the possibility of completely halting services, decreasing the number of flights, or increasing fares to offset losses, the search for an immediate and balanced solution is imperative for the parties.

Agreement With the IMF

Maza believes that there is a rather unhealthy expectation of signing an agreement with the IMF. It is a process that "is still in the phase of technical diagnosis."

"The economic agents," Maza explained, "tend to stagnate, awaiting an agreement with the IMF, an agreement that does not have a set date. Right now, the stagnation is obvious, and we cannot say when an adjustment program would start. It seems that the issue that is bogging down the negotiations is the increase in the price of gasoline. This is an issue that has a gradual solution too, taking into account the country's domestic situation."

For the BCV director, the key to retaking the path of reactivation lies in not creating false expectations: speak clearly, explain the objectives, how the citizens or economic agents would be adversely affected, and what benefits would come from the sacrifices demanded.

Maza made a few observations in this regard: "People have kept a positive attitude. Despite the punishment to which their savings are being subjected, they have not withdrawn their money en masse from the financial system, nor have they devoted themselves to the purchase of goods and services beyond their means. At the same time, despite the high cost of living and the continuous periods of inflation, people, generally speaking, remain calm.

"Meanwhile, the country has certain sectors, besides the oil sector, in which it could start carrying out reactivating actions that would elicit quick results. Such is the case in the construction, manufacturing, services, and agricultural sectors, in which a coherent plan and adequate investments would help to lead them in the right direction."

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